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Purpose

These Corporate Governance Guidelines describe the principles and practices that the Boards of Directors of Discount Bancorp and Israel Discount Bank of New York will follow in carrying out their responsibilities. The Boards will review and, if appropriate, revise these Corporate Governance Guidelines from time to time, but at least annually. These Guidelines supplement the Corporations' By-laws and the charters of the Boards' committees. These Guidelines should be interpreted in the context of the By-laws, all applicable laws, the Corporations' Certificates of Incorporation, and all other corporate governance documents. References below to "the Board" or "the Corporation" refer equally to Discount Bancorp and Israel Discount Bank of New York.

1. Responsibilities of the Board of Directors


A. Role of the Board of Directors. The Board is elected by the Corporation's stockholders to provide oversight and guidance to management in the conduct of the Corporation's business. The primary responsibility of the Board is to exercise its fiduciary duty to act in the best interests of the Corporation and its shareholders. The Board monitors the performance of the Corporation, oversees strategic business plans and objectives of the Corporation, and monitors the effectiveness of the controls that are in place to assure that the Corporation, management, and employees operate in a legal and ethically responsible manner. The Board selects the Chief Executive Officer, elects the officers of the Corporation and oversees management who has responsibility for the conduct of the day-to-day operations of the business and the affairs of the Corporation.

B. Code of Conduct. The Corporation has a Code of Conduct which sets forth standards of integrity and business ethics which must be observed by all directors, officers, and employees. The Code of Conduct may be accessed on the Corporation's website www.idbbank.com. It is the responsibility of each director to advise the Chairman of the Board as well as the Corporate Secretary if any actual or potential conflict of interest arises between the director and the Corporation. Only the Board may waive any provision of the Corporation's Code of Conduct for any director, officer or other employee. The Corporation shall promptly disclose any waiver to the extent required by applicable law.

C. Board Meetings.

i. Frequency. The Board currently holds regularly scheduled meetings and calls for special meetings as necessary. Any meeting of the Board may be held telephonically.

ii. Attendance. The Corporate Secretary shall attend meetings of the Board, and other members of management may attend at the invitation of the Board. Directors are expected to make every effort to attend, in person, all regularly scheduled Board meetings and meetings of the Committees on which they serve, other than special purpose meetings that are organized as telephonic meetings. Directors are also expected

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to attend the Annual Meeting of Shareholders. It is understood that special circumstances may occasionally prevent a director from attending a meeting. Directors are expected to devote the necessary time to properly discharge their duties.

iii. **Agendas.** The Chairman of the Board will establish the agenda for Board meetings. Any director may request that an item be included in the agenda. Throughout each year, the Board of Directors reviews the Corporation's short-term and long-term strategic and operating plans and related business plans of each principal business group. The Board of Directors also reviews the annual capital budget for the Corporation.


D. **Executive Sessions.** The independent directors will meet without employee directors at regularly scheduled executive sessions at least 3 times per year. Executive sessions will be presided over by the Chairman of the Board.

E. **Confidentiality.** Except as required by law, no director shall disclose any material, non-public information concerning the Corporation. In the event that a director inadvertently discloses information that may be material and non-public, he or she should immediately advise the General Counsel.

F. **Communication with Stockholders and Third Parties.** The Board believes that, in general, management speaks for the Corporation in communications with outside parties. It is expected that should directors meet with constituencies that are involved with the Corporation, that they would engage in such communications at the request of management.

G. **Selection and Evaluation of the Chief Executive Officer.** The Board is responsible for selecting the Corporation's Chief Executive Officer. The Compensation Committee, which determines the compensation of the Chief Executive Officer, establishes performance goals and objectives each year for the Chief Executive Officer and evaluates the performance of the Chief Executive Officer relative to those goals and objectives and other relevant factors.

H. **Chief Executive Officer and Management Succession Planning.** The full Board will be responsible for selecting the Chief Executive Officer. The Chairman of the Board will review the Company's management succession planning policies and strategies with the Chief Executive Officer and report the results of such review to the Board. The Chief Executive Officer will provide recommendations and evaluations of potential successors to succeed the Chief Executive Officer and other senior management positions. In addition, the Chief Executive Officer will propose to the Chairman of the Board an emergency succession plan to provide for one or more individuals to fulfill his or her responsibilities on an interim basis in the event the Chief Executive Officer is disabled or otherwise incapacitated, which the Chairman will review and, as appropriate, recommend to the full Board for its approval.

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2. Board of Directors Composition

A. Size of the Board of Directors. The By-laws of the Corporation provide that the number of directors, within designated minimum and maximum limits, shall be fixed and determined from time to time by resolution of the shareholders holding a majority of voting stock.

B. Selection of Directors. The Executive Committee identifies and considers candidates for membership on the Board of Directors. Final approval of any candidate shall be determined by the full Board of Directors.

C. Director Independence. On at least an annual basis (and whenever an individual is considered by the Executive Committee for election as a director), each non-employee director shall provide the Board full information regarding the director's business and other relationships with the Corporation, its affiliates, its senior management and their affiliates to enable the Board to evaluate the director's independence.


D. Term of Office. Under the Corporation's By-laws, directors hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified. The Board does not believe it should limit the number of terms for which an individual may serve as a director because an imposed limit may deprive the Corporation and its shareholders of the contribution of the directors who have been able to develop, over time, valuable insights into the Corporation, its operations and future. As part of its responsibilities, the Executive Committee will consider each director's continuation on the Board at the expiration of his or her term and recommend to the Board whether such director should be considered for re-election. The Board has not adopted a policy requiring directors to retire from the Board at a designated age.

E. Other Directorships. To ensure that directors have sufficient time to properly discharge their duties, directors are expected to seek the approval of the Chairman prior to joining the Board of any public or private company.

F. Director Compensation. Director compensation will be determined by the Board or a designated Board Committee. The amount of compensation shall be reasonable in light of the responsibilities and time commitment required of directors for their Board and Committee services. Director compensation shall annually be reviewed with respect to the director compensation and benefits of the Corporation in relation to peer companies. Directors who are employees do not receive additional compensation for serving as directors.

3. Committees of the Board

A. Committees. The Board may establish committees or disband committees, as it deems appropriate consistent with applicable laws, regulations, and the Corporation's By-laws. Each of the independent committees of the Board shall have the authority and responsibilities

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delineated in the Corporation's By-laws, the resolutions creating them, and any applicable charter.

B. Appointment. The members of each committee and the Chairs are appointed by the Board. Only directors who qualify as independent may serve on the Audit Committee and the Compensation Committee which operate under written charters approved by the Board. Members of the Audit Committee and Compensation Committee must also meet other applicable regulatory requirements set forth in their charters.

C. Charters. The Board has adopted charters setting forth the purposes, authority, and duties of its Board committees. Each committee will periodically review and assess the adequacy of its respective charter and, if appropriate, shall recommend changes to the Board of Directors for approval. The committee charters may be accessed on the Corporation's website at www.idbbank.com.

4. Access to Management and Independent Advisors. Directors shall have full access to the Corporation's management and employees and to its outside counsel and auditors. The Board is authorized to hire independent legal, financial, or other advisors as it may consider necessary.


5. Director Orientation and Education. The Board in conjunction with management will provide an orientation and continuing education process for directors to familiarize and update them as to the Corporation's management structure, business operations and plans, compliance programs, and significant financial, accounting, and risk management affairs. Directors will also receive periodic presentations on corporate governance, the fiduciary duties and responsibilities of directors, legal and regulatory developments, as well as other matters of significance to the Board of Directors.

6. Annual Evaluations.

A. Board Self-Evaluation. The Chairman will lead the Board in an annual self-evaluation process to determine whether the Board and its committees are functioning effectively. The Chairman will establish the criteria to be used in the evaluation and is responsible for receiving comments from the Board, reviewing them, and reporting annually to the Board an assessment of the Board's performance.

B. Committee Self-Evaluation. Each committee of the Board will perform an annual review of its performance, including a review of the committee's compliance with its respective charter. Each committee shall conduct such evaluation and review in a manner it deems appropriate and report the results of the evaluation to the entire Board of Directors.

7. Revisions to These Corporate Governance Guidelines. The Board shall review these Corporate Governance Guidelines at least annually and will make any changes it deems

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necessary or appropriate for the Board to discharge its responsibilities more effectively. These guidelines may be accessed on the Corporation's website at www.idbbank.com.