

STATE BANCORP, INC.
STATE BANK OF LONG ISLAND
AUDIT COMMITTEE CHARTER
AS AMENDED ON DECEMBER 13, 2005

A. Name

There shall be a committee of the Board of Directors (the "Board") which shall be called the Audit Committee.

B. Audit Committee Purpose

The Audit Committee shall be directly responsible for the appointment, compensation and oversight over the work of the Company's public accountants.

The Audit Committee shall monitor (1) the accounting and financial reporting processes of the Company and the audits of its financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the public accountants' qualifications and independence, (4) the qualifications and independence of the Company's outsourced internal audit function ("Internal Audit"), and (5) the performance of the Company's Internal Audit function and public accountants.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement

C. Audit Committee Composition and Meetings

The Audit Committee shall be comprised of three or more members, each of whom shall be an independent director, free from any relationship that would interfere with the exercise of his or her independent judgment. Each member of the Audit Committee shall satisfy the independence, experience and financial literacy requirements of the stock exchange or exchanges on which the Company's common stock is listed or, if the Company's common stock is not listed on a stock exchange but is listed with NASDAQ, NASDAQ and SEC Rule 10A-3 and Section 10A of the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002. The Board shall make a determination each year that the members of the Audit Committee are independent.

The Audit Committee Chair shall be financially sophisticated and all members of the Audit Committee shall be financially literate at the time of appointment. At least one member of the Audit Committee shall be an audit committee financial expert, within the definition of applicable rules.

The Board shall appoint the members of the Audit Committee annually. The members of the Audit Committee shall serve until their successors are appointed and

qualify. The Board shall designate the Chairman of the Audit Committee. Except as expressly provided in this Charter or the by-laws of the Company or the Corporate Governance Guidelines of the Company, or as otherwise provided by law or the rules of the stock exchange or exchanges on which the Company's common stock is listed or, if the Company's common stock is not listed on a stock exchange but is listed with NASDAQ, NASDAQ, the Audit Committee shall fix its own rules of procedure.

The Committee shall meet at least quarterly prior to the release of SEC regulatory filings on Form 10Q and Form 10K. The Committee may convene more frequently as circumstances require. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary, but no such persons shall participate in the decision making functions of the Committee. The Committee Chairman should approve the content of the agenda for each meeting. The Committee shall meet privately in executive session at least annually, and at other times when considered appropriate, with management, Internal Audit and the public accountants to discuss any matters that the Committee believes should be discussed.

D. Audit Committee Responsibilities and Duties

The Audit Committee shall have the sole authority to select, evaluate and, if necessary, replace the public accountants (subject, if applicable, to shareholder ratification) and shall approve all audit engagement fees and terms and all non-audit engagements with the public accountants. The Audit Committee shall consult with management but shall not delegate these responsibilities. In its capacity as a committee of the Board, the Audit Committee shall be directly responsible for the oversight of the work of the public accounting firm (including resolution of disagreements between management and the public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the public accounting firm shall report directly to the Audit Committee.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend proposed changes to the Board for approval. The Audit Committee shall annually review the Audit Committee's own performance.

In performing its functions, the Audit Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Audit Committee. The following functions are some of the common recurring activities of the Audit Committee in carrying out its oversight responsibility:

- ◆ Review with management, Internal Audit and the public accountants the Company's accounting and financial reporting controls. Obtain annually in writing from the public accountants their letter as to the adequacy of internal controls.
- ◆ Review and discuss any management letter provided by the public accountants and the Company's response to that letter.
- ◆ Review and discuss with management and the public accountants or Internal Audit any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the

auditors activities or in access to requested information and management's response thereto.

- ◆ Consider the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- ◆ Review earnings press releases (paying particular attention to any use of "proforma", or "adjusted" non-GAAP information), as well as financial information and earnings guidance (generally or on a case-by-case basis) provided to analysts and rating agencies.
- ◆ Review and discuss with management regulatory safety and soundness and compliance examination reports and monitor corrective action.
- ◆ Discuss significant financial risk exposures, and assess the steps management has taken to monitor, control and report such risks and review the related findings and recommendations of the public accountants and Internal Audit, together with management's responses.
- ◆ Review with management and the public accountants the reasoning for and the appropriateness of the accounting principles, underlying estimates and disclosure practices adopted by management.
- ◆ Review with financial management and the public accountants the Company's quarterly and annual financial statements, including disclosures made in Managements Discussion and Analysis of Financial Condition and Results of Operations ("MD&A).
- ◆ Discuss with management and the public accountants any significant changes to the Company's accounting principles and any items required to be communicated by the public accountants in accordance with SAS 61, as amended by SAS 90.
- ◆ Consider, in consultation with the public accountants and Internal Audit, the audit scope and plan of the public accountants and the internal auditors to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.
- ◆ Obtain and review a report from the public accountants at least annually regarding (a) the registered public accountants' internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the public accountants and the Company. Evaluate the qualifications, performance and independence of the public accountants, including a review and evaluation of the lead partner of the registered public accountant and taking into account the opinions of management and the Company's internal auditors.
- ◆ Discuss with the public accountants any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement.
- ◆ Discuss with management and the public accountants any accounting adjustments that were noted or proposed by the registered public accountants but were passed (as immaterial or otherwise).

- ◆ Discuss with the public accountants the internal audit function and its audit plan, responsibilities, budget and staffing.
- ◆ Ensure the receipt from the public accountants of a formal written statement delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard 1, and actively engage in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the public accountants.
- ◆ Review and provide oversight of related party transactions.

E. Limitations of Audit Committee's Roles

While the Audit Committee has the responsibilities and powers set forth in its Charter, it is not the duty of the Audit Committee to prepare financial statements, plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the registered public accountants.

F. Internal Audit Function:

The Audit Committee shall monitor the Internal Audit function. In that connection, it shall:

- ◆ Review and approve the appointment, performance and replacement of the outsourced Internal Audit firm. Internal Audit shall be responsible to senior management, but have a direct reporting responsibility to the Board through the Committee.
- ◆ Review and approve the budget, plan, activities, and organizational structure and review the independence and qualifications of Internal Audit, as needed.
- ◆ Review with management and Internal Audit:
 - a. Significant internal audit findings during the year and management's responses to them and receive follow-up reports on action taken
 - b. Exceptions noted in the reports to the Committee by the independent accountants or regulators, and the progress made in responding to the exceptions,
 - c. Progress reports and any changes required in the planned scope of the Internal Audit Plan, and
 - d. The Internal Audit Function Policy, budget and staffing.

G. Other Responsibilities:

In connection with monitoring the Company's compliance with legal and regulatory compliance, the Audit Committee shall:

1. Legal Compliance. Discuss with the Company's general counsel legal or regulatory matters that may have a material impact on the Company's financial statements or its compliance and reporting policies.
2. Code of Ethics. Ensure that the Company has a code of ethics that at least applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and obtain reports from management, the Company's senior internal auditing executive and the public accountants as to whether the Company and its subsidiaries and affiliated entities are in conformity with applicable legal requirements and the Company's Code of Ethics.
3. Complaints. The Audit Committee shall establish procedures for:
 - (i) The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - (ii) The confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
4. Authority to engage advisers. The Audit Committee shall have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.
5. Funding. The Company shall provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the board of directors, for payment of:
 - (i) Compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer;
 - (ii) Compensation to any advisers employed by the Audit Committee under paragraph (3) above of this section; and
 - (iii) Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
6. Sarbanes-Oxley Act of 2002. The Audit Committee shall:
 - ◆ Ensure that the lead audit partner of the public accountants and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002, and further consider rotation of the public accountant firm itself.
 - ◆ Recommend to the Board policies for the Company's hiring of employees or former employees of the public accountants who were engaged on the Company's account (recognizing that the Sarbanes-Oxley Act of 2002 does not permit the CEO, controller, CFO or chief accounting officer to have participated in the Company's audit as an employee of the public accountants during the preceding one-year period).
 - ◆ Review disclosures made by the Company's principal executive officer or officers and principal financial officer or officers regarding compliance with their certification

obligations as required under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, including the Company's disclosure controls and procedures and internal controls for financial reporting and evaluations thereof.