



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Division of Risk Management Supervision

September 28, 2011

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Newburyport Five Cents Savings Bank
63 State Street
Newburyport, Massachusetts 02780

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization with the organization of interim institutions and a merger to facilitate a conversion from a mutual to stock form filed on behalf of Newburyport Five Cents Savings Bank (Bank) was reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160 – 303.163 and other pertinent FDIC regulations. Based on the information presented and the representations made, the FDIC poses no objection to the proposed conversion transaction.

Enclosed is our Order and Basis for Corporation Approval (Order) for the applications filed on behalf of the Bank in conjunction with the conversion transaction, including considerations of deposit insurance and the proposed merger. Our approval is subject to the conditions stated in the Order, some of which must be met on an ongoing basis.

As part of the notice, the Bank requested, in accordance with 12 C.F.R. Section 303.162(a)(2), a waiver of certain provisions of the FDIC's regulations pertaining to mutual-to-stock conversions, specifically, the depositor vote requirement of 12 C.F.R. Section 333.4(c)(2). We have reviewed the Bank's request and have found that a sufficient number of independent corporators voted in favor of the proposed conversion. Therefore, the Bank's request for a waiver is granted.

Please notify the Boston Area Office in writing when the proposed transaction has been consummated. If an extension of the time limit included in the Order is required, a letter requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to the Boston Area Office.

Sincerely,

/s/

Christopher J. Spoth
Senior Deputy Director

Enclosure

cc: Kent M. Krudys
Luse Gorman Pomerenk & Schick
5335 Wisconsin Avenue, NW
Suite 780
Washington, D.C. 20015-2035

David J. Cotney - Commissioner
Massachusetts Division of Banks
1000 Washington Street
10th Floor
Boston, Massachusetts 02118

Maureen B. Savage – Vice President
Federal Reserve Bank of Boston
600 Atlantic Avenue H-3
Boston, Massachusetts 02210

FEDERAL DEPOSIT INSURANCE CORPORATION

Newburyport Five Cents Savings Bank
Newburyport, Essex County, Massachusetts

Application for Federal Deposit Insurance and Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 5 and Section 18(c) and other provisions of the Federal Deposit Insurance (FDI) Act, an application has been filed on behalf of Newburyport Five Cents Savings Bank, Newburyport, Massachusetts (Mutual Institution), currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of \$629,139,000 and total deposits of \$455,862,000 as of June 30, 2011, for the FDIC's consent to merge with Newburyport Interim Stock Bank, Newburyport, Massachusetts, a proposed new interim, state-chartered stock bank. In addition, applications have been filed for federal deposit insurance for an interim Massachusetts-chartered mutual savings bank (a *de novo* mutual savings bank to be subsequently organized into a mutual holding company) and an interim Massachusetts-chartered stock savings bank (Newburyport De Novo Savings Bank).

The transaction is to effect the Mutual Institution's plan of reorganization which, solely to facilitate such undertaking, provides for:

- Mutual Institution will organize a new *de novo* interim Massachusetts-chartered mutual savings bank, Newburyport De Novo Savings Bank, and subsequently reorganize it into a Massachusetts mutual holding company, under Massachusetts law, to be known as Newburyport Five Cents Bancorp, MHC.
- Newburyport Five Cents Bancorp, MHC will establish a new, wholly-owned Massachusetts-chartered stock bank to be known as Newburyport Interim Stock Bank (Subsidiary Bank).
- Newburyport Five Cents Bancorp, MHC will immediately thereafter establish a Massachusetts-chartered stock corporation to be known as Newburyport Five Cents Bancorp, Inc.
- Mutual Institution will merge into Subsidiary Bank, with Subsidiary Bank as the legally surviving entity under the name of Newburyport Five Cents Savings Bank (Resultant Bank).
- Newburyport Five Cents Bancorp, MHC will immediately thereafter contribute 100 percent of the shares of the Newburyport Five Savings Bank to Newburyport Five Cents Bancorp.

Upon consummation of the reorganization, the deposits of the Resultant Bank (or Newburyport Five Cents Savings Bank) will continue to be insured under the DIF. On the effective date of the reorganization, Newburyport Five Cents Savings Bank will be a stock bank that is wholly-owned

by Newburyport Five Cents Bancorp, Inc., which will be wholly-owned by Newburyport Five Cents Bancorp, MHC. Applications establishing Newburyport Five Cents Bancorp, Inc. and Newburyport Five Cents Bancorp, MHC have been approved by the Federal Reserve Bank of Boston. Also, the Commonwealth of Massachusetts has granted Newburyport Five Cents Savings Bank the authority to conduct banking business and *is expected* to approve the mutual savings bank and a stock savings bank in the near-term. Following consummation of the merger, Newburyport Five Cents Savings Bank will operate the same banking business, with the same management, at the same locations now being served by the Mutual Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Institution. Newburyport Five Cents Savings Bank main office will continue to be located at 63 State Street, Newburyport, Massachusetts.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of the proponent, disclosed no inconsistencies with the purposes of the CRA. Newburyport Five Cents Savings Bank is expected to continue to meet the credit needs of its community, consistent with the safe and sound operation of the institution.

In connection with the merger application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent banks and the Resultant Bank, the convenience and needs of the community to be served, and the effect of the proposed transaction on competition. The FDIC has also taken into consideration the effectiveness of the insured depository institutions involved in the proposed merger transaction in combating money-laundering activities, and the risk posed by the transaction to the stability of the U.S. banking or financial system.

In addition, the FDIC has fully considered all available facts and information relevant to the factors of Section 6 of the FDI Act relating to the applications for federal deposit insurance for Newburyport De Novo Savings Bank and Newburyport Interim Stock Bank.

Having found favorably on all statutory factors, it is the FDIC's judgment that the applications for Consent to Merge and for federal deposit insurance should be and are hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That, except for the proposed contribution of Newburyport Five Cents Savings Bank stock by Newburyport Five Cents Bancorp, MHC to Newburyport Five Cents Bancorp, Inc., no shares of the stock of Newburyport Five Cents Savings Bank shall be sold, transferred or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to, and non-objection is received from the FDIC;
2. That, prior to a sale, transfer or other disposition of any shares of Newburyport Five Cents Bancorp, Inc. by Newburyport Five Cents Bancorp, MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of Newburyport Five Cents Bancorp, MHC, to stock form, Newburyport Five Cents Savings Bank will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with the state and Federal banking and/or securities regulators in connection with any sale, transfer, disposition or conversion;

3. That, should any shares of stock of Newburyport Five Cents Savings Bank or Newburyport Five Cents Bancorp, Inc., be issued to persons other than Newburyport Five Cents Bancorp, MHC, any dividends waived by Newburyport Five Cents Bancorp, MHC must be retained by Newburyport Five Cents Bancorp, Inc., or Newburyport Five Cents Savings Bank and segregated, earmarked or otherwise identified on its books and records. Such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of Newburyport Five Cents Bancorp, MHC to stock form. Such amounts shall not be available for payment to or the value thereof transferred to minority shareholders, by any means, including through dividend payments or at liquidation;
4. That, any change in proposed management, including the board of directors, will render this approval null and void unless such proposal is approved by the FDIC prior to the consummation of the proposed transaction; and
5. That, for a period of three (3) years after the close of the conversion any material deviation from the business plan will require the bank to notify the FDIC Regional Director.
6. That the proposed transaction may not be consummated later than six months after the date of this Order unless such period is extended for good cause by the FDIC; and
7. That, until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C. this 28 day of September, 2011.

/s/

Christopher J. Spoth
Senior Deputy Director
Division of Supervision and Consumer Protection