



March 15, 2016

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Pentucket Bank
One Merrimack Street
Haverhill, Massachusetts 01830

Dear Members of the Board:

The Federal Deposit Insurance Corporation (“FDIC”) has reviewed the notice submitted by Pentucket Bank, Haverhill, Massachusetts (“Mutual Institution”), to convert from mutual to stock form and reorganize into a mutual holding company structure (“Notice”) pursuant to the FDIC’s regulations at 12 C.F.R. §§ 303.160-303.163 and 333.4 (“Conversion Regulations”), and other pertinent regulations. The FDIC has also reviewed Bank Merger Act and Federal deposit insurance applications filed in connection with the reorganization. The Mutual Institution will effect the reorganization through a multi-step process that will result in a de novo interim stock bank merging with the Mutual Institution, with the stock bank as the surviving entity operating under the name of Pentucket Bank and the creation of a two-tier holding company structure with the top-tier parent company operating as a mutual holding company under the name of Pentucket Bank Holdings, MHC.

Based on the information provided and representations made, the FDIC poses no objection to the Notice, subject to conditions (certain of which must be met on an ongoing basis) detailed in the enclosed Order and Basis (“Order”) approving the Bank Merger Act and Federal deposit insurance applications filed in connection with the reorganization.

Further, the Mutual Institution filed a request for a waiver of the FDIC’s depositor voting requirement pursuant to Section 303.162(a)(2) of the Conversion Regulations. Based on the Mutual Institution’s efforts and compliance with Massachusetts state law in ensuring that a majority of its independent incorporators approved the reorganization, the FDIC finds good cause to grant the Mutual Institution’s request for a waiver of the FDIC’s depositor voting requirement.

If an extension of the time limit in the Order is required, a letter requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to Regional Director John F. Vogel at 350 Fifth Avenue, Suite 1200, New York, New York.

Please notify the New York Regional Office in writing when the proposed transaction has been consummated. Should you have any questions, please contact Case Manager Tobey J. Quint at (781)794-5561.

Sincerely,

/s/

James C. Watkins
Deputy Director

cc: Matthew D. Hanaghan
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FEDERAL DEPOSIT INSURANCE CORPORATION

Pentucket Bank
Haverhill, Essex County, Massachusetts

Applications for Federal Deposit Insurance and Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant Section 18(c) of the Federal Deposit Insurance (FDI) Act, Pentucket Bank (“Bank”), Haverhill, Essex County, Massachusetts, currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of \$641,016,000 and total deposits of \$533,827,000 as of September 30, 2016, has filed an application for the FDIC’s consent to merge with Pentucket Interim Subsidiary Bank, Haverhill, Massachusetts, a proposed new interim, state-chartered stock savings bank. In addition, an application has been filed for Federal deposit insurance for Pentucket Interim Subsidiary Bank to facilitate the merger with Pentucket Bank.

The transaction is to effect the Pentucket Bank’s plan of reorganization, which, solely to facilitate such undertaking, provides for:

- The Bank to organize a new *de novo* interim Massachusetts-chartered mutual savings bank to be known as Pentucket Interim Mutual Bank (“New Mutual”);
- The New Mutual will immediately convert into a Massachusetts-chartered mutual holding company to be known as Pentucket Bank Holdings, MHC (“MHC”).
- MHC to establish a new, wholly owned Massachusetts-chartered subsidiary stock savings bank to be known as Pentucket Interim Subsidiary Bank (“Subsidiary Stock Bank”).
- MHC to establish a Massachusetts-chartered stock corporation to be known as Pentucket Bancorp, Inc. (“Stock Holding Company”) as a separate wholly owned subsidiary of MHC.
- The Bank to merge with and into Subsidiary Stock Bank, with Subsidiary Stock Bank surviving the merger (“Resultant Bank”) and assuming the name Pentucket Bank.
- MHC to contribute 100 percent of the outstanding shares of common stock of the Resultant Bank to the Stock Holding Company. As a result, the Stock Holding Company will own 100 percent of the outstanding capital stock of the Resultant Bank, and will be wholly owned by Pentucket Bank Holdings, MHC.

Upon consummation of the reorganization, the deposits of the Resultant Bank will continue to be insured under the DIF. On the effective date of the reorganization, the Resultant Bank will be a stock bank that is wholly owned by Pentucket Bancorp Inc.

On January 22, 2016, the Federal Reserve Bank of Boston approved applications to allow Pentucket Bank Holdings, MHC, to become a mutual bank holding company and Pentucket Bancorp, Inc., to become a mid-tier stock bank holding company. Further, the Massachusetts Division of Banks granted Pentucket Bank the authority to conduct banking business as a stock bank on March 15, 2016.

Following consummation of the merger, Resultant Bank will operate the same banking business, with the same management, at the same locations now being served by the Bank. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Bank. The Resultant Bank's main office will continue to be located at One Merrimack Street, Haverhill, 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. The Resultant Bank is expected to meet the credit needs of its community, consistent with the safe and sound operation of the institution.

In connection with the deposit insurance application for Pentucket Interim Stock Bank, the FDIC has taken into consideration the financial history and condition, the adequacy of the capital structure, the future earnings prospects, the general character and fitness of the management, the convenience and needs of the communities to be served, the risk to the Deposit Insurance Fund and whether the banks' corporate powers are consistent with the purposes of the FDI Act.

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.

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

1. That, except for the contribution of stock by Pentucket Bank Holdings, MHC to Pentucket Bancorp, Inc., no shares of the stock of Pentucket 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 New York Regional Director;
2. That, prior to a sale, transfer, or other disposition of any shares of Pentucket Bancorp, Inc. by Pentucket Bank Holdings, MHC to any person (including any Employee Stock Ownership Plan) or a conversion of Pentucket Bank Holdings, MHC, to stock form, Pentucket Bank will provide written notification to the FDIC New York Regional Director and provide the FDIC New York Regional Director 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 Pentucket Bank or Pentucket Bancorp, Inc. be issued to persons other than Pentucket Bancorp, Inc. and Pentucket Bank Holdings, MHC, any dividends waived by Pentucket Bank Holdings, MHC must be retained by Pentucket Bancorp, Inc. or Pentucket 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 Pentucket Bank Holdings, 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 liquidation;
4. That, any change in proposed senior executive officers, including the board of directors, prior to the consummation of the proposed transaction, will render this approval null and void unless such proposal is approved by the FDIC New York Regional Director prior to the consummation of the proposed transaction;
5. That, for a period of three (3) years after the close of the proposed transaction, any material deviation from the business plan will require prior approval of the FDIC New York Regional Director prior to the implementation of such material deviation from the business plan;
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 FDIC Board of Directors.

Dated at Washington, D.C. this 15th day of March, 2016.

/s/

James C. Watkins
Senior Deputy Director
Division of Risk Management and Supervision