

Board of Trustees
The Provident Bank
Five Main Street
Amesbury, Massachusetts 01913

Members of the Board:

The Notice to effect a mutual holding company reorganization with the organization of an interim institution and a merger to facilitate a conversion from mutual form to stock form filed on behalf of The Provident Bank, Amesbury, Massachusetts has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to 12 C.F.R. Sections 303.160 – 303.164 and other pertinent FDIC regulations. Based on the information presented and representations made, we do not object to the proposal.

Enclosed is our Order and Basis for Corporation Approval (Order) for the applications filed on behalf of Norway 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.

Please advise the Boston Regional Office in writing when the proposed transaction has been consummated. If an extension of the time limitation included in the Order is required, a letter requesting a specific extension of the limitation including reasons therefore should be submitted to the Boston Regional Office.

Sincerely,

/S/

Michael J. Zamorski
Deputy Director

cc: Deborah Drosnin
Foley, Hoag & Elliot, LLP
One Post Office Square
Boston, Massachusetts 02109

FEDERAL DEPOSIT INSURANCE CORPORATION

**RE: The Provident Bank
Amesbury, Massachusetts**

Applications for Federal Deposit Insurance and Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Sections 5 and 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), an application has been filed on behalf of The Provident Bank, Amesbury, Massachusetts, (Mutual Bank), currently a mutually-owned, Bank Insurance Fund member, state-chartered institution with total resources of \$153,441,000 and total deposits of \$102,879,000 as of June 30, 1999, for the FDIC's consent to merge with the Provident Interim Savings Bank, Amesbury, Massachusetts, a proposed interim, Massachusetts-chartered savings bank in the stock form of organization. In addition, applications have been filed for federal deposit insurance for the Provident Interim Savings Bank and the resultant bank.

This transaction is the result of Mutual Bank's plan of reorganization which, solely to facilitate this undertaking, includes:

1. The Mutual Bank will establish a de novo, Massachusetts-chartered mutual savings bank to be known as The Provident Mutual Savings Bank;
2. The Provident Mutual Savings Bank will reorganize into a mutual holding company to be known as Provident Bancorp;
3. The Provident Bancorp will establish a Massachusetts-chartered stock bank subsidiary to be known as the Provident Interim Savings Bank (Interim); and
4. The Mutual Bank will merge with and into Interim, with Interim as the legally surviving entity under the name of The Provident Bank (Stock Bank).

Upon consummation of the reorganization, the deposits of the Mutual Bank will continue to be insured under the Bank Insurance Fund. On the effective date of the reorganization, the Stock Bank will be the wholly-owned subsidiary of the Provident Bancorp. Applications for the establishment of Provident Bancorp have been filed with the Board of Governors of the Federal Reserve System. The resultant bank will operate with the title of The Provident Bank, Amesbury, Massachusetts. Following the consummation of the merger, the resultant bank will operate the same banking business, with the same management, at the same locations now being served by the Mutual Bank. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Bank. The resultant bank's principal

office will be at Five Market Street, Amesbury, 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) Statements of the proponent, discloses no inconsistencies with the purposes of the CRA. The new institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

In connection with the applications, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent banks and the resultant bank, and the convenience and needs of the community to be served. Having found favorably on all statutory factors and having considered other relevant information, including all reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the Attorney General of the United States, it is the FDIC's judgement that the applications should be and hereby are approved, subject to the following conditions:

1. Unless prior notice is provided to and non-objection is received from the FDIC, no shares of the stock of The Provident Bank shall be sold, transferred or otherwise disposed of, to any persons (including any Employee Stock Ownership Plan) other than the Provident Bancorp.
2. That, prior to a sale, transfer or other disposition of any shares of The Provident Bank by the Provident Bancorp to any person (including any Employee Stock Ownership Plan), or a conversion of the Provident Bancorp to stock form, The Provident Bank will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with state and federal banking and/or securities regulators in connection with any such sale, transfer, disposition or conversion.
3. That, should any shares of stock be issued to persons other than the Provident Bancorp, any dividends waived by the Provident Bancorp must be retained by The Provident 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 the Provident Bancorp 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. Any changes in proposed management, including the board of directors or proposed ownership (ten per cent or more of the stock and new acquisitions of or subscriptions to ten per cent or more of the stock), will render this approval null and void unless such proposal is approved by the Regional Director (Supervision) of the FDIC's Boston Regional Office prior to the consummation of the proposed transaction.
5. That the transaction shall not be consummated sooner than fifteen calendar days after the date of this Order nor later than six months after the date of this Order unless such period is extended for good cause by the Corporation.

6. That until the conditional commitment herein granted becomes effective, the Corporation shall have the right to alter, suspend, or withdraw the said commitment should any interim development be deemed to warrant such action.

By Order of the Deputy Director of the Division of Supervision pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C., this _____ day of _____, 1999.

/S/

Michael J. Zamorski
Deputy Director