

March 4, 2004

VIA FACSIMILE AND BY CERTIFIED RETURN RECEIPT REQUESTED

Board of Trustees
The Canton Institution for Savings, The Bank of Canton
557 Washington Street
Canton, Massachusetts 02021

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization with the organization of two interim institutions and a merger to facilitate a conversion from a mutual to stock form filed on behalf of The Canton Institution for Savings, The Bank of Canton (Bank), Canton, Massachusetts, 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 303.161(a)(2), 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 incorporators 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 time limit included in the Order is required, a letter requesting a specific extension of the limitation, including reasons therefore, should be submitted to the Boston Area Office.

Sincerely,

/s/

John M. Lane
Deputy Director

Enclosure: Order and Basis for Corporation Approval

cc: Kathryn I. Murtagh, Esquire
Goodwin Proctor, LLP
Exchange Place
Boston, Massachusetts 02109

FEDERAL DEPOSIT INSURANCE CORPORATION

The Canton Institution for Savings, The Bank of Canton
Canton, Norfolk 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 Act (FDI Act), an application has been filed on behalf of The Canton Institution for Savings, The Bank of Canton, Canton, Massachusetts (Mutual Institution), currently a Massachusetts-chartered mutual savings bank and Bank Insurance Fund (BIF) member with total resources of \$562,544,000 and total deposits of \$467,397,000 as of December 31, 2003, for the FDIC's consent to merge with Canton Interim Stock Bank, Canton, Massachusetts, a proposed new Massachusetts-chartered stock savings bank. In addition, an application has been filed for Federal deposit insurance for Canton Interim Mutual Bank and Canton Interim Stock Bank.

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

- The Mutual Institution to establish an interim Massachusetts-chartered mutual savings bank, Canton Interim Mutual Bank, to be reorganized, simultaneously upon establishment, into a Massachusetts-chartered mutual holding company to be known as Ponkapoag Bancorp, MHC and capitalize it with \$10,000;
- Ponkapoag Bancorp, MHC to establish a wholly-owned Massachusetts-chartered subsidiary in stock form of organization to be known as Massapoag Bancorp, Inc.;
- The establishment as a wholly-owned subsidiary of Massapoag Bancorp, Inc., a Massachusetts-chartered savings bank in stock form of organization to be known as Canton Interim Stock Bank (Subsidiary Stock Savings Bank); and
- Upon the establishment of Ponkapoag Bancorp, MHC, Massapoag Bancorp, Inc., and the Subsidiary Stock Savings Bank, the Mutual Institution to merge immediately into the Subsidiary Stock Savings Bank, with the Subsidiary Stock Savings Bank surviving the merger under the name of The Bank of Canton (Resultant Bank).
- Upon consummation, Ponkapoag Bancorp, MHC will own 100% of the issued and outstanding voting stock of Massapoag Bancorp, Inc., which will, in turn, own 100% of the issued and outstanding stock of the Resultant Bank.

At the conclusion of the reorganization, the deposits of the Resultant Bank will continue to be insured under the BIF. Following consummation of the merger, the Resultant Bank will operate the same banking business, with the same management, and at the same locations as Mutual Institution. The proposed transaction will not alter the competitive structure of banking in the

market served by Mutual Institution. The Resultant Bank's principal office will continue to be located at 557 Washington Street, Canton, Massachusetts.

Applications for reorganization of Mutual Institution and the subsequent merger of the Mutual Institution into Canton Interim Stock Bank were approved by the Commonwealth of Massachusetts Commissioner of Banks. Applications for the establishment of Ponkapoag Bancorp, MHC and Massapoag Bancorp, Inc. were approved by the Federal Reserve Bank of Boston.

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 Mutual Institution, discloses no inconsistencies with the purposes of the CRA. The Resultant Bank 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. In connection with the application for deposit insurance, the FDIC has taken into consideration the financial history and condition; adequacy of the capital structure; earnings prospects; general character and fitness of management; risk to the insurance fund; convenience and needs of the community; and consistency of corporate powers. Having found favorably on all statutory factors and having considered other relevant information, including 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 judgment that the applications should be and hereby are approved, subject to the following conditions:

1. That, except for the proposed transfer of stock to Massapoag Bancorp, Inc., no shares of the stock of the Resultant 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 the sale, transfer, or other disposition of any shares of Massapoag Bancorp, Inc. by Ponkapoag Bancorp, MHC to any person (including any Employee Stock Ownership Plan), or a conversion of Ponkapoag Bancorp, MHC to stock form, the Resultant 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 such sale, transfer, disposition, or conversion;
3. That should any shares of the stock of the Resultant Bank or Massapoag Bancorp, Inc. be issued to persons other than Ponkapoag Bancorp, MHC, any dividends waived by Ponkapoag Bancorp, MHC, must be retained by Massapoag Bancorp, Inc. or the Resultant Bank and segregated, earmarked, or otherwise identified on the books and records of Massapoag Bancorp, Inc. or the Resultant Bank; 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 Ponkapoag 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;
5. That the transaction shall not be consummated within less than fifteen days after the date of this Order, or later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and
6. 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 delegated authority.

Dated at Washington, D.C., this 4th day of March, 2004

By: _____ /s/ _____

John M. Lane
Deputy Director
Division of Supervision and Consumer Protection