November 12, 1998

Board of Trustees
Danvers Savings Bank
One Conant Street
Danvers, Massachusetts 01923

Members of the Board:

The Notice to effect a mutual holding company reorganization with the organization of a mutual savings bank to be reorganized simultaneously into a mutual holding company, the organization of a stock savings bank owned by the mutual holding company and the merger of Danvers Savings Bank (DSB) with the stock savings bank 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.

Sincerely,

/S/

Mark S. Schmidt
Associate Director
Pursuant to Sections 5 and 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), applications have been filed on behalf of Danvers Interim Mutual Bank (New Mutual), Danvers, Massachusetts, a newly-formed, Bank Insurance Fund member, state-chartered mutual savings bank and Danvers Interim Stock Bank, Danvers, Massachusetts (Subsidiary Stock Bank), a newly-formed, Bank Insurance Fund member, state-chartered stock savings bank for federal deposit insurance and for the Corporation’s consent to merge Subsidiary Stock Bank with Danvers Savings Bank, Danvers, Massachusetts (DSB), a Bank Insurance Fund member, state-chartered mutual savings bank with total resources of $303,019,000 and total deposits of $264,219,000 as of June 30, 1998.

This transaction is the result of DSB’s plan of reorganization which, solely to facilitate this undertaking, includes:

1) the formation of a de novo mutual savings bank to be named Danvers Interim Mutual Bank (New Mutual);

2) the immediate reorganization of New Mutual as a state-chartered mutual holding company to be named Danvers Bancorp, Inc. (DBI);

3) the formation of a new stock savings bank, a subsidiary of DBI, which will be named Danvers Interim Stock Bank (Subsidiary Stock Bank).

4) the merger of DSB and Subsidiary Stock Bank, with the resultant institution retaining the charter and by-laws of Subsidiary Stock Bank and the name Danvers Savings Bank (Resultant Bank).

Resultant Bank will be a wholly owned subsidiary of DBI. The principal office will be at One Conant Street, Danvers, Massachusetts, the present location of DSB.

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.
Favorable findings have been accorded to all factors considered pertinent to each application. Accordingly, it is the Corporation’s judgment that the applications should be and hereby are approved subject to the following conditions:

1. That federal deposit insurance shall not become effective unless and until the applicant has received all appropriate regulatory approvals for establishment of the stock savings bank and the mutual savings bank by the State authority and DBI has been established as a mutual holding company by the State authority.

2. That Resultant Bank shall not issue minority shares without prior written notification to, and non-objection from, the FDIC.

3. That, prior to a sale, transfer or other disposition of any shares of Resultant Bank by DBI to any person (including any Employee Stock Ownership Plan), or a conversion of the mutual holding company to stock form, 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 any such sale, transfer, disposition or conversion.

4. That, should any shares of stock be issued to persons other than DBI, any dividends waived by DBI must be retained by the Resultant Bank and segregated, earmarked, or otherwise identified on its books and records; such amounts must be taken into account in any valuation of the Resultant Bank and DBI and factored into the calculation used in establishing a fair and reasonable basis for exchanging Resultant Bank shares for holding company shares in any subsequent conversion of DBI to stock form; such amounts shall not be available for payment to or the value thereof transferred to minority shareholders of the Resultant Bank, by any means including through dividend payments or at liquidation.

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 Associate Director of the Division of Supervision pursuant to delegated authority of the Board of Directors.

Dated at Washington, D.C., this 27th day of October, 1998.

/S/

Mark S. Schmidt
Associate Director