



Federal Deposit Insurance Corporation

15 Braintree Hill Office Park, Braintree, MA 02184-8701

Division of Risk Management Supervision

November 7, 2019

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Trustees
The Guilford Savings Bank
One Park Street
Guilford, Connecticut 06437

**Subject: The Guilford Savings Bank – Mutual Holding Company Reorganization
 Application Tracking No. 20191121 and No. 20191094**

Dear Members of the Board:

The Federal Deposit Insurance Corporation (“FDIC”) has reviewed the notice submitted by The Guilford Savings Bank, Guilford, Connecticut (“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. §§ 303.160-163 and 333.4 (“Conversion Regulations”), and other pertinent regulations. The FDIC has also reviewed a Bank Merger Act application filed in connection with the reorganization. The Mutual Institution will effect the reorganization through a multi-step process that will result in the formation of a mutual holding company as the parent of a newly formed stock holding company subsidiary. A *de novo* stock bank will be formed, and the Mutual Institution will be merged with and into the stock bank. The stock bank will be the surviving entity of the merger and will be wholly owned by the stock holding company.

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

Pursuant to the Order, please provide the FDIC’s Boston Area Office with the following documents:

- Written evidence that all necessary and final approvals regarding the proposed conversion transaction and the merger have been received from the appropriate Federal and State authorities.

Additionally, please notify the FDIC's Boston Area Office in writing when the proposed transaction has been consummated. 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 the Boston Area Office.

Should you have any questions, please contact Case Manager Mark A. Routhier at (781) 794-5560.

Sincerely,

/s/

Marianne Hatheway
Deputy Regional Director

Enclosure: Order and Basis of Approval

cc: Scott A. Brown
Luse Gorman, PC
5335 Wisconsin Avenue, N.W., Suite 780
Washington, DC 20015

Honorable Jorge L. Perez
Banking Commissioner
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103

Maureen Savage
Vice President
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: The Guilford Savings Bank
Guilford, Connecticut

Application for Consent to Merge

ORDER AND BASIS OF APPROVAL

Pursuant to Section 18(c) of the Federal Deposit Insurance (FDI) Act, The Guilford Savings Bank, Guilford, New Haven County, Connecticut, (“Mutual Institution” or “Bank”) currently a State-chartered mutually-owned Deposit Insurance Fund (“DIF”) member with total assets of \$821,546,000 and deposits of \$638,869,000 as of June 30, 2019, filed an application for the FDIC’s consent to merge with The Guilford Savings Bank, Guilford, Connecticut (in stock form) (“Stock Bank”), a proposed new interim State-chartered stock savings bank.

The transaction is to effect the Mutual Institution’s plan of reorganization into a mutual holding company structure (“Plan”), which solely to facilitate such an undertaking, provides for:

- The Mutual Institution to establish a Connecticut-chartered mutual holding company to be known as GSB Mutual Holding Company (“MHC”), and capitalize it with \$500,000.
- The MHC to establish a Maryland-chartered corporation as a separate wholly owned subsidiary of the MHC to be known as GSB Bancorp, Inc. (“Stock Holding Company”), and contribute \$250,000 with which to capitalize it.
- The MHC to establish the Stock Bank, a Connecticut-chartered stock savings bank, as a separate wholly owned subsidiary of the MHC.
- The Mutual Institution to immediately merge with and into the Stock Bank, with the Stock Bank surviving the merger and assuming the name The Guilford Savings Bank.
- The MHC to contribute all of the common shares of the Stock Bank, owned by the MHC, to the Stock Holding Company.

Upon consummation of the reorganization, the deposits of the Stock Bank will be insured by the DIF. On the effective date of the reorganization, the Stock Holding Company will own 100 percent of the outstanding capital stock of the Stock Bank.

Following the consummation of the reorganization, the Stock Bank will operate the same banking business with the same management at the same locations now being served by the Mutual Institution. The services and products to be offered in the relevant markets by the Stock Bank will not differ materially from those presently offered by the proponent bank. The main office will continue to be located One Park Street, Guilford, Connecticut. The reorganization will not alter the competitive structure of banking in the market served by the Mutual Institution.

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”) performance of the proponent, disclosed no inconsistencies with the purposes of the

CRA. The Stock 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 merger application, the FDIC has also taken into consideration the financial and managerial resources and future prospects of the proponent bank and the resultant Stock 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 institution involved in the proposed merger transaction in combating money-laundering activities, and the risk posed by the transaction to the stability of the United States banking or financial system.

Having found favorably on all statutory factors and having considered other relevant information, it is the FDIC's judgment that the application for consent to merge should be and hereby is approved subject to the following conditions, some of which are continuing in nature:

1. The Bank's reorganization into Stock Bank and the merger of the Bank with and into the Stock Bank shall only be consummated on the same date as the consummation of all of the other steps of the plan of reorganization, as proposed in the notices and applications submitted to the FDIC.
2. Except for the issuance of all of the shares of Stock Bank to the MHC and the contribution of that stock to the SHC, no shares of stock of the Stock 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's Deputy Regional Director.
3. Prior to a sale, transfer or other disposition of any shares of the SHC by the MHC to any person (including any Employee Stock Ownership Plan) or a conversion of the MHC to stock form, the Stock Bank shall provide written notification to the FDIC's Deputy Regional Director and include copies of all documents filed with the state and Federal banking and/or securities regulators in connection with any sale, transfer, disposition, or conversion.
4. Any change in proposed senior executive officers or the board of directors, prior to the consummation of the proposed transactions, will render this approval null and void unless such proposal is approved by the FDIC's Deputy Regional Director prior to the consummation of the proposed transactions.
5. During the three-year period after the close of the proposed transactions, the Stock Bank shall obtain the written approval of the FDIC's Deputy Regional Director prior to implementing any material deviation from the business plan accompanying the notices and applications submitted to the FDIC.
6. The Stock Bank shall provide 30 days' written notice to the FDIC's Deputy Regional Director prior to implementing any policy or executing any agreement with the MHC or any of the Stock Bank's affiliates related to the allocation and

sharing of costs with the Stock Bank. A copy of the proposed policy or agreement shall be provided with the written notice. The Stock Bank shall not implement any such policy or execute such agreement if the FDIC's Deputy Regional Director objects in writing to such policy or agreement within the 30-day notice period.

7. The Bank shall provide written evidence that all necessary and final approvals regarding the proposed transactions have been received from the appropriate Federal and State authorities.
8. The proposed transactions may not be consummated later than six months after the date of the FDIC's non-objection unless such period is extended for good cause by the FDIC.
9. The Bank acknowledges that any letter of non-objection from the FDIC is conditioned on the facts and circumstances as currently known to the FDIC, and the Bank shall notify the FDIC's Deputy Regional Director as soon as the Bank becomes aware of any material changes in the facts and circumstances prior to the consummation of the proposed transactions.
10. Until the proposed transactions are consummated, the FDIC has the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

By order of the Deputy Regional Director of the New York Region, acting pursuant to delegated authority for the Board of Directors of the FDIC.

Dated at Braintree, Massachusetts this 7th day of November, 2019.

/s/

Marianne Hatheway
Deputy Regional Director
Division of Risk Management Supervision