



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Division of Risk Management Supervision

November 19, 2018

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Union Savings Bank
226 Main Street
Danbury, Connecticut 06810

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization through an interim merger, solely to facilitate a conversion from a mutual to stock form, filed on behalf of Union Savings Bank, Danbury, Connecticut (Bank) 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 application filed on behalf of the Bank in conjunction with the conversion transaction, including considerations of 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 notify the New York Regional Office in writing when the proposed transaction has been consummated. If an extension of the time limit included 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 New York Regional Office.

Sincerely,

/s/

James C. Watkins
Senior Deputy Director

Enclosure: Order and Basis for Corporation Approval

Board of Directors
Union Savings Bank
Danbury, Connecticut

cc: Kaitlin M. Humble
Hinckley, Allen & Snyder LLP
20 Church Street
Hartford, Connecticut 06103

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

Ivan Hurwitz
Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

FEDERAL DEPOSIT INSURANCE CORPORATION

Union Savings Bank
Danbury, Connecticut

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) of the Federal Deposit Insurance (FDI) Act, Union Savings Bank, Danbury, Connecticut (Bank), currently a state-chartered, mutually owned Deposit Insurance Fund (DIF) member with total assets of \$2,151,866,000 and total deposits of \$1,626,805,000 as of September 30, 2018, filed an application for the FDIC's consent to merge with Union Savings Bank II (in stock form), Danbury, Connecticut, a proposed new interim, state-chartered stock savings bank.

The proposed transaction is to effect the Bank's plan of reorganization into a mutual holding company structure which, solely to facilitate such an undertaking, provides for the Bank to:

- Form USB Bancorp, Inc. (USB MHC), a Connecticut non-stock corporation with an initial investment of \$500,000;
- Establish a Connecticut-chartered capital stock bank to be known as Union Savings Bank II (USB II), with USB II issuing 100 percent of its capital stock to USB MHC; and
- Immediately merging the Bank with and into USB II, with USB II surviving the merger (Resultant Bank) and assuming the name Union Savings Bank.

Upon consummation of the proposed transaction, the deposits of Resultant Bank will be insured by the DIF. Resultant Bank will be wholly owned by USB MHC.

Following the consummation of the proposed transaction, Resultant Bank will operate the same banking business with the same management at the same locations now being served by the Bank, including its main office at 226 Main Street, Danbury, Connecticut. The proposed transaction will not alter the competitive structure of banking in the market served by the 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 DIF and whether the banks' corporate powers are consistent with the purposes of the FDI Act.

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. 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 merger application, the FDIC has taken into consideration the effect on competition, financial and managerial resources and future prospects of the proponent bank 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 institution 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 application for consent to merge should be and is hereby approved subject to the following conditions, some of which are continuing in nature:

1. Except for the issuance of all of the shares of Union Savings Bank (Stock Bank) to USB Bancorp, Inc. (Mutual Holding Company), 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 30 days prior written notice is provided to, and written non-objection is received from, the FDIC's New York Regional Director.
2. Prior to a sale, transfer or other disposition of any shares of Stock Bank, other than the transfer of shares to the Mutual Holding Company, to any person, including any Employee Stock Ownership Plan or a conversion of the Mutual Holding Company to stock form, the Stock Bank shall provide prior written notice to the FDIC's New York 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.
3. 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 the Bank submits prior written notice to, and receives written non-objection from, the FDIC's New York Regional Director prior to the consummation of the proposed transactions.
4. During the three-year period after the close of the proposed transactions, the Stock Bank shall operate within the parameters set forth in the business plan submitted with the Notice (Business Plan) and must provide at least 30 days prior written notice to and receive written non-objection from, the FDIC's New York Regional Director prior to implementing any proposed material deviation or change from the Business Plan, including, but not limited to, any merger, acquisition, or business combination.
5. The Stock Bank shall provide 30 days written notice to and obtain written non-objection from the FDIC's New York Regional Director prior to implementing any

policy or executing any agreement with the MHC or any of the Stock Bank's affiliates relating 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 New York Regional Director objects in writing to such policy or agreement within the 30-day notice period.

6. The Bank shall provide written evidence that the Plan was approved by a vote of at least a majority of the Bank's depositors who are entitled to vote.
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 New York 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 non-objection 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 19th day of November, 2018.

/s/

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