



Federal Deposit Insurance Corporation

550 17th St. NW Washington DC, 20429

Division of Supervision and Consumer Protection

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

May 9, 2003

Board of Directors
Putnam Savings Bank
40 Main Street
Putnam, Connecticut 06260

Dear 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 Putnam Savings Bank, Putnam, Connecticut ("Bank"), has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 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 Putnam Savings 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 has requested, in accordance with 12 C.F.R. Section 333.4(a), 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 independent corporators voted in favor of the proposed conversion. Therefore, the Bank's request for a waiver is granted.

Pursuant to Section 4(d) of the Federal Deposit Insurance Act, the resultant bank will be an insured depository institution.

Please advise the Boston Area 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 including reasons therefore should be submitted to the Boston Area Office.

Sincerely,

/S/

Michael J. Zamorski
Director

Enclosure

cc: Kent M. Krudys
Muldoon Murphy & Faucette LLP
5101 Wisconsin Avenue, N.W.
Washington, D.C. 20016

FEDERAL DEPOSIT INSURANCE CORPORATION

Putnam Savings Bank
Putnam, Windham County, Connecticut

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 Putnam Savings Bank, Putnam, Connecticut, ("Mutual Institution"), currently a state-chartered mutually-owned Bank Insurance Fund member with total resources of \$232,149,000 and total deposits of \$158,757,000 as of December 31, 2002, for the FDIC's consent to merge with Putnam Savings Bank (Stock Savings Bank), Putnam, Connecticut, a proposed new state-chartered stock savings bank, the resultant bank. In addition, an application has been filed for federal deposit insurance for Stock Savings Bank.

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

- Mutual Institution to form a Connecticut-chartered mutual holding company (Putnam Bancorp MHC) and capitalize it with \$100,000.
- Putnam Bancorp MHC will organize Stock Savings Bank as a Connecticut-chartered savings bank and receive 100% of its issued and outstanding stock.
- Putnam Bancorp MHC will then organize subsidiary holding company, PSB Holdings, as a wholly-owned subsidiary of Putnam Bancorp MHC and contribute \$50,000 and 100% of the issued and outstanding stock of Stock Savings Bank to capitalize PSB Holdings.
- Upon capitalization of PSB Holdings, Stock Savings Bank will be a wholly-owned subsidiary of PSB Holdings.
- Mutual Institution will then merge with and into Stock Savings Bank, with Stock Savings Bank as the surviving entity (Resultant Bank).
- Upon consummation, Putnam Bancorp MHC will own 100% of the issued and outstanding voting stock of PSB Holdings, which in turn will own 100% of the issued and outstanding stock of Stock Savings Bank.

At the conclusion of the reorganization, the deposits of the Mutual Institution will continue to be insured under the Bank Insurance Fund. On the effective date of the reorganization, the Resultant Bank will be a stock bank and the wholly owned subsidiary of PSB Holdings which will be a wholly owned subsidiary of Putnam Bancorp MHC.

Applications for the establishment of Putnam Bancorp MHC and PSB Holdings have been approved by the Federal Reserve Bank of Boston. Following the consummation of the merger, the Resultant Bank will operate the same business, with the same management, at the same locations now being served by the Mutual Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Institution. The Resultant Bank's principal office will continue to be located at 40 Main Street, Putnam, Connecticut.

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. The resultant 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. In connection with the application for deposit insurance, the FDIC has taken into consideration the financial history and condition; adequacy of the capital structure; future 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 all reports on competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Director of 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 PSB Holdings, no shares of the stock of Stock Savings 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 a sale, transfer or other disposition of any shares of PSB Holdings, by Putnam Bancorp MHC to any person (including any Employee Stock Ownership Plan), or a conversion of Putnam Bancorp MHC, to stock form, Putnam Savings Bank will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with the state and federal banking and/or securities regulators in connection with any such sale, transfer, disposition or conversion;
3. That should any shares of the stock of Putnam Savings Bank or PSB Holdings be issued to persons other than Putnam Bancorp MHC, any dividends waived by Putnam Bancorp MHC must be retained by PSB Holdings or Putnam Savings Bank and segregated, earmarked, or otherwise identified on the books and records of PSB Holdings or Putnam Savings 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 Putnam 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 or proposed ownership (ten percent or more of the stock and new acquisitions of, or subscriptions to, ten percent or more of the stock), 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 proposed transaction may not be consummated unless and until the Resultant Bank has the authority to conduct banking business, and that its establishment and operation as a stock savings bank have been fully approved by appropriate State of Connecticut officials, and its holding companies, Putnam Bancorp MHC and PSB Holdings, are granted approval by the Federal Reserve to become holding companies for Putnam Savings Bank.
6. 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
7. 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.

By Order of the Director of the Division of Supervision and Consumer Protection
pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C., this 9th day of May, 2003.

/s/

Michael J. Zamorski
Director