



Federal Deposit Insurance Corporation

550 17th St. NW Washington DC, 20429

Division of Risk Management Supervision

November 14, 2016

CERTIFIED – RETURN RECEIPT REQUESTED

Board of Directors
Newtown Savings Bank
39 Main Street
Post Office Box 497
Newtown, Connecticut 06470

Subject: Plan of Reorganization
Newtown Savings Bank, Newtown, Connecticut

Dear Members of the Board:

The Federal Deposit Insurance Corporation (“FDIC”) has reviewed the notice submitted by Newtown Savings Bank, Newtown, 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. §§ 303.160-303.163 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 modified Order and Basis for Corporation Approval (“Order”) approving the Bank Merger Act application filed in connection with the reorganization. **The enclosed modified Order supersedes in its entirety the previously issued Order and Basis for Corporation Approval, dated as of October 26, 2016, which is null and void.**

Pursuant to the Order, please provide the Boston Area Office (BAO) with the following documents:

- Written evidence that the Bank’s Plan was approved by at least a majority of the Bank’s depositors who are entitled to vote on the reorganization, and
- 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 BAO in writing when the proposed transaction has been consummated. Should you have any questions, please contact Case Manager Mark A. Routhier at (781) 794-5560.

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 Regional Director John F. Vogel, New York Regional Office, Federal Deposit Insurance Corporation, 350 Fifth Avenue, Suite 1200, New York, New York 10118.

Sincerely,

/s/

James C. Watkins
Senior Deputy Director

Enclosure: Order and Basis for Corporation Approval

cc : Kent M. Krudys, Esq.
Luse Gorman, PC
5335 Wisconsin Avenue, N.W., Suite 780
Washington, DC 20015

Jorge Perez
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

Re: Newtown Savings Bank
Newtown, Connecticut

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance (FDI) Act, Newtown Savings Bank, Newtown, Connecticut, (“Mutual Institution” or “Bank”) currently a State-chartered, mutually-owned Deposit Insurance Fund (“DIF”) member with total assets of \$1.1 billion and total deposits of \$816 million as of June 30, 2016, filed an application for the FDIC’s consent to merge with Newtown Savings Bank, Newtown, 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 (“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 NSB Mutual Holding Company (“MHC”).
- The MHC to establish a Maryland-chartered stock corporation as a separate wholly owned subsidiary of the MHC to be known as NSB Holdings, Inc. (“Stock Holding Company”).
- The MHC to establish the Stock Bank, a Connecticut-chartered subsidiary stock savings bank, as a separate wholly owned subsidiary of the Stock Holding Company.
- The Mutual Institution to immediately merge with and into the Stock Bank, with the Stock Bank surviving the merger and assuming the name Newtown Savings Bank.
- The MHC to contribute 100 percent of the outstanding shares of common stock of the Stock Bank, owned by 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 merger, 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 proposed transaction will not alter the competitive structure of banking in the market served by the Mutual Institution. The main office will continue to be located at 39 Main Street, Newtown, 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 Community Reinvestment Act (“CRA”) performance of the relevant institutions, 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 its safe and sound operation.

In connection with the merger application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent institutions 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 institutions involved in the proposed merger transaction in combating money laundering activities, and the risk of 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 is hereby approved, subject to the following conditions having been agreed to by the Mutual Institution, the Stock Bank, the Stock Holding Company, or the MHC, as appropriate. Some of these conditions are continuing in nature:

1. The Bank shall provide written evidence that the proposed transactions were approved by at least a majority of the Bank's depositors who are entitled to vote on the reorganization.
2. The Bank's reorganization into Stock Bank and the merger of it 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.
3. Except for the issuance of all of the shares of Stock Bank to the MHC and the contribution of that stock to the Stock 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 prior notice is provided to, and non-objection is received from, the FDIC's New York Regional Director.
4. Prior to a sale, transfer or other disposition of any shares of the Stock Holding Company 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 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.
5. 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 New York Regional Director prior to the consummation of the proposed transactions.
6. During the three-year period after the close of the proposed transactions, the Stock Bank shall obtain the written approval of the FDIC's New York Regional Director prior to implementing any material deviation from the business plan submitted with the Notices.
7. The Stock Bank shall provide 30 days' written notice to 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 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 New York Regional Director objects in writing to such policy or agreement within the 30-day notice period.
8. 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.
9. 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.
10. 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.
11. 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.

This Order and Basis for Corporation Approval supersedes in its entirety the Order and Basis for Corporation Approval previously issued on October 26, 2016, which is null and void.

Pursuant to the delegated authority of the FDIC Board of Directors.

Dated at Washington, D.C., this 14th day of November, 2016.

/s/

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