

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

January 29, 1998

Ms. D. Lynn Van Borkulo-Nuzzo
Executive Vice President
and Corporate Secretary
HUBCO, Inc.
1000 MacArthur Boulevard
Mahwah, New Jersey 07430

Dear Ms. Van Borkulo-Nuzzo:

We are pleased to inform you that the Federal Reserve Bank of New York, acting under authority delegated by the Board of Governors of the Federal Reserve System (the "Board") at Section 265.11(c)(11) of its Rules Regarding Delegation of Authority, today has approved the notice by HUBCO, Inc., Mahwah, New Jersey ("HUBCO"), for prior approval, pursuant to Section 4(c)(8) of the Bank Holding Company Act of 1956, as amended, to acquire 100 percent of the outstanding common stock of Poughkeepsie Financial Corp., Poughkeepsie, New York ("PFC"), and indirectly acquire PFC's federally chartered savings bank subsidiary, Bank of the Hudson, Poughkeepsie, New York ("BOH"), pursuant to Section 225.28(b)(4)(ii) of Regulation Y. PFC will be merged into HUBCO upon consummation of the acquisition. HUBCO will operate BOH as a wholly owned subsidiary under the existing federal savings bank charter of BOH.

In reaching this determination, this Reserve Bank has relied upon all of the commitments and representations made by HUBCO in connection with this notification, including:

1. With respect to PSB Associates, Inc.:
 - A. "Within two years to cause Bank of the Hudson to cease any life insurance activities and the sale of annuity products which may be impermissible under 12 C.F.R. Section 225.28(b)(11) unless during such two year period, HUBCO would be permitted to continue the activities under 12 C.F.R. Section 225.22(e)(2), or unless the Board otherwise approves", and
 - B. "Prior to such divestitures or termination, HUBCO will cause Bank of the Hudson to limit any insurance activities engaged in to the servicing of existing policies and will not permit Bank of the Hudson or its subsidiaries to renew existing policies or sell any new policies."
2. "Within two years of the acquisition, HUBCO will cause Bank of the Hudson and its subsidiaries to cease to engage in savings bank life insurance activities unless such activities are permissible under applicable law."

This Reserve Bank's approval of this transaction is specifically conditioned upon

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compliance with all the commitments discussed above and in the notification and other submissions by HUBCO. For the purposes of this action, these commitments are considered to be conditions imposed in writing in connection with the approval of the notification, and, as such, may be enforced in proceedings under the Federal Deposit Insurance Act. This Reserve Bank's approval is also conditioned upon the receipt by HUBCO of any other necessary regulatory approvals with respect to this transaction.

In addition, approval is subject to the Board's authority to require reports by, and make examinations of, bank holding companies and their subsidiaries and to require such modification or termination of activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or prevent evasions of, the BHC Act, and the Board's regulations and orders issued thereunder.

Please advise us in writing promptly when the transaction is consummated, which should not be later than three months after the date of this letter, unless the latter date is extended by this Reserve Bank or the Board for good cause shown.

Very truly yours,

Jay B. Bernstein
Bank Supervision Officer

Enclosure

cc: Board of Governors

Federal Deposit Insurance Corporation

Office of Thrift Supervision