



NEW HAMPSHIRE
THRIFT BANCSHARES, INC.

March 6, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General-TARP
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

This letter is in reply to your letter dated February 6, 2009 regarding New Hampshire Thrift Bancshares, Inc.'s (the "Company") participation in the United States Department of the Treasury's (the "Treasury") Capital Purchase Program (the "CPP").

CPP Funds Usage

On January 16, 2009, the Company received ten million dollars (the "CPP Funds") through the CPP. On the same day, the Company transferred the CPP Funds to its wholly owned subsidiary, Lake Sunapee Bank (the "Bank"), to augment the Bank's capital base. The CPP Funds were assigned unique identifying codes in the Bank's internal systems such that the CPP Funds, and any investments made by leveraging such funds, may be tracked internally.

The Bank has, to date, by leveraging the CPP Funds, purchased approximately \$15 million in mortgage-backed securities and approximately \$14 million in corporate investments. Of the \$14 million corporate investments figure, \$6 million are corporate investments guaranteed by the Federal Deposit Insurance Corporation pursuant to the Temporary Liquidity Guarantee Program. The mortgage-backed securities and the corporate investments are currently held as available-for-sale securities. The Bank would not have been able to purchase such securities and corporate investments without the Treasury's investment of the CPP Funds. Included herewith as Confidential Exhibit A is the Bank's Statement of Condition (the "Statement") at January 31, 2009. The Statement includes a schedule of investments made using the leveraged CPP Funds. As shown in the Statement, the Bank's Tier 1 Core Capital ratio at January 31, 2009 was 9.21%. Without the CPP Funds, the ratio would have been 8.21%.

In its application for the CPP Funds, the Company noted that an investment by the Treasury would bolster the Bank's capital base and enable the Bank to take advantage of additional investing and lending opportunities. Going forward, the Bank intends to use the leveraged CPP Funds to continue to invest in qualifying securities and to engage in additional lending.

Executive Compensation

As required by the Emergency Economic Stabilization Act, our senior executive officers have signed a release prohibiting "golden parachute payments" from being made to such individuals. In addition, compensation levels at our institution are such that it is not anticipated that any employee will be

compensated at a level which would require the amount paid to be non-deductible by reason of section 162(m)(5) of the Internal Revenue Code, as amended.

In addition, there has been no negative impact on loan risks relating to executive compensation.

All benefit plans have been amended to require senior executive officers to repay amounts which are later found to be based upon statements of earnings or other criteria determined to be materially inaccurate.

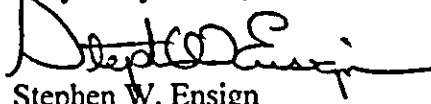
At present, the Company has no plans to increase salary or benefits under any compensation programs as a result of participation in TARP.

We will continue to monitor guidance from the Treasury on the implementation of the executive compensation requirements under the American Recovery and Reinvestment Act of 2009 and will amend our compensation programs as this guidance becomes available.

We respectfully request that your office notify us immediately if you determine not to afford confidential treatment to Exhibit A. The Company has included herewith as Exhibit B the certification required by item (3) of your letter.

If you have any questions, please feel free to contact me.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Stephen W. Ensign". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Stephen W. Ensign
Chairman and Chief Executive Officer

**Consolidated Statement of Financial Condition
Capital Purchase Program Usage**

January 31, 2009 (unaudited)	Without CPP	CPP Usage	Consolidated
Assets			
Cash, Deposits and Investment Securities	\$ 33,004,727	\$ 14,064,303 ^a	\$ 47,069,030
Mortgage-Backed Securities	80,527,268	15,935,697 ^b	96,462,965
Mortgage Loans	566,001,216		566,001,216
Non-mortgage Loans	70,664,663		70,664,663
Repossessed Assets	287,633		287,633
Real Estate Held for Investment	3,581,189		3,581,189
Equity Investment Not Subject to FAS115	8,094,695		8,094,695
Office Premises and Equipment	17,784,254		17,784,254
Goodwill	27,293,470		27,293,470
Core Deposit Intangible	2,513,236		2,513,236
Other Assets	16,955,224		16,955,224
Total Assets	\$ 826,707,575	\$ 30,000,000	\$ 856,707,575
Liabilities and Shareholders' Equity			
Liabilities			
Deposits and Escrows	659,651,571		659,651,571
Borrowings	67,331,172	20,000,000	87,331,172
Other Liabilities	25,940,670		25,940,670
Total Liabilities	752,923,413	20,000,000	772,923,413
Shareholders' Equity			
Preferred Stock, \$0.01 par value	-	100	100
Common Stock, \$0.01 par value	62,081		62,081
Paid-In Capital	45,757,460	9,999,900	55,757,360
Retained Earnings	38,752,036		38,752,036
Dividends Paid	(747,210)		(747,210)
Accumulated Other Comprehensive Loss	(2,889,481)		(2,889,481)
Treasury Stock	(7,150,723)		(7,150,723)
Total Shareholders' Equity	73,784,162	10,000,000	83,784,162
Total Liabilities and Shareholders' Equity	\$ 826,707,575	\$ 30,000,000	\$ 856,707,575

Benchmarks	Without CPP	CPP Usage	Consolidated
Tier 1 Core Capital	8.21%	33.33%	9.12%

^a
(b) (4)

Cash

Market Value
\$ **(b) (4)**

586,156
\$ 14,064,303

^b
(b) (4)

Market Value
\$ **(b) (4)**

15,935,697

Exhibit B

I, Stephen R. Theroux, President and Chief Financial Officer of the Company, certify that: I have reviewed this response and supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.



Stephen R. Theroux
President and Chief Financial Officer