



The Commonwealth of Massachusetts

Board of Bank Incorporation

**DECISION
RELATIVE TO THE APPLICATION OF
MUTUAL BANCORP, HYANNIS, MASSACHUSETTS
TO ACQUIRE
FIDELITY MUTUAL HOLDING COMPANY AND LIFE DESIGN HOLDING COMPANY,
LEOMINSTER, MASSACHUSETTS**

Mutual Bancorp (Petitioner), Hyannis, Massachusetts, has petitioned the Board of Bank Incorporation (the Board) to acquire Fidelity Mutual Holding Company (Fidelity MHC) and its wholly-owned subsidiary Life Design Holding Company (LDHC) and their subsidiary bank, Fidelity Co-operative Bank (Fidelity Bank), each of which are located in Leominster, Massachusetts, under the provisions of Massachusetts General Laws chapter 167A, sections 2 and 4. The Petitioner is the mutual holding company for The Cape Cod Five Cents Savings Bank (Cape Cod Five), Hyannis, Massachusetts. As a result of the transaction, the Petitioner will acquire Fidelity Bank and thereby control two subsidiary banks, including Mutual Bancorp's existing subsidiary bank, Cape Cod Five.

The merger of the two mutual holding companies is authorized under Massachusetts General Laws chapter 167H, section 7, clause (3). The transaction is structured so that Fidelity MHC will merge with and into Mutual Bancorp (the MHC Merger) and LDHC will merge with and into Mutual Bancorp (the Mid-tier Merger). Together, the MHC Merger and the Mid-tier Merger will constitute the proposed transaction (Proposed Transaction). The current bank subsidiaries of Mutual Bancorp and Fidelity MHC, Cape Cod Five, a Massachusetts-chartered trust company, and Fidelity Bank, also a Massachusetts-chartered cooperative bank, respectively, will continue their separate legal existence following the Proposed Transaction with each bank maintaining its own name, brand, headquarters, Board of Directors, and retail organization under the oversight of the Board of Trustees of the combined mutual holding company.

The Petitioner published notice of the petition, as directed by the Board, thereby affording opportunity for interested parties to submit comments. The Board held a public hearing relative to this application on February 13, 2024. The comment period on the Proposed Transaction ended on February 21, 2024, and no comments were received. The Board reviewed the application, all related documents and considered testimony received at the public hearing. That review focused on the statutory and administrative criteria applicable to such transactions which include, among other things, whether competition among banking institutions will be unreasonably affected; whether public convenience and advantage would be promoted; and the record of performance under the Community Reinvestment Act (CRA) by the respective subsidiary banks. The financial and management components of the Proposed Transaction were also considered. The statutory requirements

set out in sections 2 and 4 of said chapter 167A were also notable factors in the Board's deliberations on the matter before it.

One such statutory provision requires the Board to have received notice from the Massachusetts Housing Partnership Fund (MHPF) that satisfactory arrangements have been made by the Petitioner consistent with statute and the MHPF's various affordable housing loan programs. The Board received notice from the MHPF that satisfactory arrangements had been made for this transaction in a letter dated February 1, 2024.

The Parties

Mutual Bancorp / The Cape Cod Five Cents Saving Bank

Mutual Bancorp is a Massachusetts-chartered mutual holding company subject to regulation by the Board and the Massachusetts Division of Banks (Division). As of December 31, 2023, Mutual Bancorp had consolidated assets of approximately \$5.5 billion. Mutual Bancorp, through its banking subsidiary, Cape Cod Five, offers a broad range of financial products and services to customers. Mutual Bancorp, as a mutual holding company, offers no financial products or services directly.

The Cape Cod Five Cents Savings Bank is a Massachusetts-chartered trust company subject to regulation by the Division. Cape Cod Five, originally founded in 1855, is headquartered in Hyannis, Massachusetts. Cape Cod Five has 24 full-service banking offices, 13 free-standing automated teller machine locations, and one loan production office in Massachusetts. Cape Cod Five accepts deposits and provides a broad range of retail and commercial banking services to its customers, including residential mortgages, investment management, and trust services. The deposits of Cape Cod Five are insured by the Federal Deposit Insurance Corporation (FDIC) to the maximum extent permitted by law. Cape Cod Five has four direct nonbank subsidiaries: C.F.H., Inc., Shallow Pond, Inc., SeaFive, Inc., and Cape Cod 5 Foundation, Inc.

Fidelity Mutual Holding Company / Life Design Holding Company / Fidelity Co-operative Bank

Fidelity Mutual Holding Company is a Massachusetts-chartered mutual holding company subject to regulation by the Board and the Division. As of December 31, 2023, Fidelity MHC had consolidated assets of approximately \$1.5 billion.

Life Design Holding Company is the wholly-owned subsidiary of Fidelity MHC and the sole shareholder of Fidelity Bank. LDHC offers no financial products or services directly and does not engage in any activity other than holding the outstanding stock of Fidelity Bank and Life Design Statutory Trust I. Life Design Statutory Trust I is a Delaware trust registered as a foreign statutory trust in Massachusetts.

Fidelity Co-operative Bank is a Massachusetts-chartered co-operative bank founded in 1888. Fidelity Bank offers a range of personal and business banking solutions to clients in 13 full-service banking centers located in Central and Eastern Massachusetts. The deposits of Fidelity Bank are insured by the FDIC to the maximum extent permitted by law and by the Depositors Insurance Fund (DIF) for any amounts in excess of FDIC deposit insurance limits. Fidelity Bank has eight direct nonbank subsidiaries: Hayes-Barrett Insurance, LLC, Hayes-Barrett Investments, LLC, Nashaway Realty, LLC, M3S, LLC, Shirley Securities, Inc., FCB Security Corporation, Inc., Exchange Parking Series, LLC, and Exchange Authority, LLC.

Competition

The Petitioner has addressed the issue of whether competition among banks will be unreasonably affected by the Proposed Transaction. The application contained an analysis under the Herfindahl-Hirschmann Index (HHI), a key test utilized by federal agencies in assessing the competitive effects of a proposed acquisition. In this case, the HHI analysis demonstrates that consummation of the transaction will not result in an undue concentration of banking resources. The Board's review, however, is not limited to such federal standards. It is the practice of the Board to consider a transaction in light of its impact on the citizens, communities, and banking structure in the Commonwealth on a community-by-community basis. In that regard, the Petitioner has presented information that the Proposed Transaction will not have a significant adverse effect on competition among banking institutions in any relevant market. There is no overlap in the branch networks of each bank. Specifically, Cape Cod Five and Fidelity Bank do not maintain banking offices in any of the same municipalities. Analyzing the branch networks on a more general level, Cape Cod Five's primary service area consists of Barnstable County, Nantucket County, Dukes County, Town of Wareham, and Town of Plymouth. Fidelity Bank's primary service area consists of certain municipalities located in Worcester, Middlesex, and Norfolk Counties. Consequently, Cape Cod Five and Fidelity Bank do not directly compete with one another and do not derive any significant number of loans or deposits from each other's primary service areas. Upon review, the Board does not believe the transaction will unreasonably affect competition for the reasons cited, as well as the fact that a number of diverse financial institutions will continue to provide competitive deposit and credit services throughout the affected areas and banking markets served by each bank.

Public Convenience and Advantage

The Board also considered whether public convenience and advantage will be promoted by this transaction. For the Petitioner, the Proposed Transaction represents a strategic growth opportunity that will result in a stronger combined banking organization with a larger lending capacity which will be better positioned to compete against the larger, national banking organizations in the markets served by Mutual Bancorp and Fidelity MHC. The combined organization's larger scale and customer base will lead, over time, to enhanced and technologically improved delivery of its financial products and services. The Petitioner believes that because Fidelity Bank will be a part of a larger banking organization serving communities throughout Eastern and Central Massachusetts, Cape Cod, the Islands and Southeastern Massachusetts, the customers of Fidelity Bank and the general community will benefit from the even greater financial strength and stability of the combined organization. As a result, Mutual Bancorp will become a stronger organization able to enhance Cape Cod Five's and Fidelity Bank's capacity to serve the communities each institution currently serves. The Petitioner has stated that Cape Cod Five and Fidelity Bank will continue to offer all of the products and services each currently offers to its respective customers. It has also been noted that Cape Cod Five currently provides a full suite of services and products, including, but not limited to, deposit, residential, commercial, and consumer lending, as well as some specialized products and services such as trust and wealth management, which are not currently offered by Fidelity Bank but are expected to be added or offered by referral following the Proposed Transaction. The Petitioner has also stated that the Proposed Transaction will strengthen Fidelity Bank's capital position and increase Fidelity Bank's ability, through loan participations with Cape Cod Five, to meet the borrowing needs of its larger commercial banking clients without increasing potential concentration risks at the respective banks.

The Board has also considered the Petitioner's analysis of "net new benefits" related to the transaction with respect to the statutory criteria. The term includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors. As noted in their application, the existing main office and branches of Fidelity Bank will be maintained after the Proposed Transaction. The Petitioner also noted in its application that it expects to retain all of Fidelity Bank's employees, thereby providing continuity for its customers and communities. The application provides that the Proposed Transaction will afford back-office efficiencies for the banks and should allow the combined organization to compete more effectively and improve profitability for each institution, thereby providing funds for future plans for capital investment, job creation, and expansion of consumer and business services.

Related to the issue of public convenience and advantage is the record of CRA performance by the subsidiary banks of the parties to this transaction. Such a review for a state-chartered bank includes examination by personnel of the Division. A publicly available descriptive rating and evaluation by a federal

or other state bank regulatory agency may also be considered. The Board notes that Cape Cod Five received an “Outstanding” rating in its most recent CRA evaluation conducted jointly by the Division and the FDIC as of July 13, 2020. The Board further notes that Fidelity Bank received a “Satisfactory” rating in its most recent CRA evaluation conducted jointly by the Division and the FDIC as of November 29, 2021. Accordingly, the Board’s review of factors related to public convenience and advantage are supportive of approval.

The financial and managerial aspects of any transaction are also a significant consideration of the Board, as they may affect the continuing holding company’s ability to serve the banking public, to actively compete with other financial institutions, and to maintain its capital ratio standards for a safe and sound institution. As a mutual holding company merger, there will be no monetary consideration for the Proposed Transaction, and the subsidiary banks will continue to be well-capitalized after consummation. The Petitioner has provided an opinion of tax counsel and asserts that the transaction will be exempt from taxation at the entity level and that there will be no gain or loss recognized for federal income tax purposes by the depositors of Fidelity Bank on the receipt of the Mutual Bancorp Equity Interests in exchange for their Fidelity MHC Equity Interests in connection with the Proposed Transaction. Upon the closing of the Proposed Transaction, Mutual Bancorp’s Board of Trustees will consist of nine trustees, five of which will be current trustees of Mutual Bancorp, and four of which will be current directors of Fidelity MHC. In addition, Cape Cod Five will appoint the current President and Chief Executive Officer of Fidelity MHC to the Cape Cod Five Board of Directors, and Fidelity Bank will appoint the current President and Chief Executive Officer of Mutual Bancorp to the Fidelity Bank Board of Directors. Following the consummation of the Proposed Transaction, the principal officers of each Fidelity Bank and Cape Cod Five will remain unchanged. The Board’s consideration of the financial and managerial aspects of the transaction also supports its approval.

Conclusion

The application, supporting documents, the testimony received at the public hearing, as well as additional information submitted, have established a complete record on this petition, which has been reviewed in accordance with statutory provisions and policies of the Board. Based on the record of this matter considered in light of all relevant statutory and administrative requirements, the Board finds that public convenience and advantage will be promoted, that competition among banking institutions will not be unreasonably affected, and that the record of performance under CRA by the subsidiary banks involved in this transaction are consistent with its approval. Having considered the record established on this application, the Board has found that the applicable statutory and administrative criteria have been met. In accordance with the findings expressed herein and pursuant to the statutory authority cited herein, the Board hereby approves the petition and authorizes Mutual Bancorp to acquire Fidelity MHC and LDHC, and to directly and indirectly own and control its wholly-owned depository institution subsidiary, Fidelity Bank, provided that: (1) the transaction

shall not be consummated until all necessary additional regulatory approvals have been obtained; and (2) the transaction is completed within one year of the date of this Decision. Mutual Bancorp will also continue to be subject to the provisions of Massachusetts General Laws chapter 167H and other applicable statutes.

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Mary L. Gallagher)	
Commissioner of Banks)	
)	Board of
)	
_____)	Bank
Deborah B. Goldberg)	
Treasurer and Receiver-General)	Incorporation
)	
)	
_____)	
Donald Twomey)	
Designee of the Commissioner of Revenue)	

March 12, 2024

Date