



The Commonwealth of Massachusetts

Board of Bank Incorporation

DECISION
RELATIVE TO THE APPLICATION OF
NEWBURYPORT FIVE CENTS BANCORP, MHC, AND NEWBURYPORT FIVE CENTS
BANCORP, INC., NEWBURYPORT, MASSACHUSETTS
TO ACQUIRE
PENTUCKET BANK HOLDINGS, MHC, AND PENTUCKET BANCORP, INC.,
HAVERHILL, MASSACHUSETTS

Newburyport Five Cents Bancorp, MHC (Newburyport MHC) and its wholly-owned subsidiary, Newburyport Five Cents Bancorp, Inc. (Newburyport Bancorp) (collectively, the Petitioners), Newburyport, Massachusetts, have petitioned the Board of Bank Incorporation (the Board) to acquire Pentucket Bank Holdings, MHC (Pentucket MHC) and its wholly owned subsidiary Pentucket Bancorp, Inc. (Pentucket Bancorp), each of which are located in Haverhill, Massachusetts and their subsidiary bank, Pentucket Bank, Haverhill, Massachusetts under the provisions of Massachusetts General Laws chapter 167A, sections 2 and 4. The Petitioners are the mutual holding company and mid-tier holding company, respectively, for Newburyport Five Cents Savings Bank (Newburyport Bank), Newburyport, Massachusetts. As a result of the transaction, Petitioners will acquire Pentucket Bank and thereby control two subsidiary banks, including Newburyport MHC's existing subsidiary bank, Newburyport Bank.

The transaction is structured so that Pentucket MHC will merge with and into Newburyport MHC (the MHC Merger) and Pentucket Bancorp will merge with and into Newburyport Bancorp (the Mid-Tier Merger). Together, the MHC Merger and the Mid-Tier Merger will constitute the proposed transaction (Proposed Transaction).¹ The current bank subsidiaries of Newburyport MHC and Pentucket MHC, Newburyport Bank, a Massachusetts-chartered stock savings bank, and Pentucket Bank, a Massachusetts-chartered stock savings bank, respectively, will continue their separate legal existence following the Proposed Transaction with each bank maintaining its own charter, name, brand, headquarters, Board of Directors, lending team, and retail organization under the oversight of the Board of Trustees of the combined mutual holding company.

Petitioners 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 May 23, 2023. The comment period on the Proposed Transaction ended on June 2, 2023, and no comments were received. The Board reviewed the application, all related documents, and considered testimony received at the

¹ The Petitioners indicated an intent to change the names of the combined mutual holding company and mid-tier holding company in connection with the Proposed Transaction. The mutual holding company will operate as River Run Bancorp, MHC and the mid-tier holding company will operate as River Run Bancorp, Inc.

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 Petitioners 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 June 1, 2023.

The Parties

Newburyport Five Cents Bancorp, MHC / Newburyport Five Cents Bancorp, Inc. / Newburyport Five Cents Savings Bank

Newburyport MHC is a Massachusetts mutual holding company registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (BHC Act), and Massachusetts General Law chapter 167A. Newburyport MHC has its corporate offices in Newburyport, Massachusetts. Newburyport MHC's principal asset is 100% of the outstanding capital stock of Newburyport Bancorp, its sole subsidiary.

Newburyport Bancorp is a Maryland corporation and a wholly-owned subsidiary of Newburyport MHC. Newburyport Bancorp is registered as a bank holding company under the BHC Act. Newburyport Bancorp has its corporate offices in Newburyport, Massachusetts. Newburyport Bancorp's principal asset is 100% of the outstanding capital stock of Newburyport Bank, its sole subsidiary.

Newburyport Bank is a Massachusetts-chartered stock savings bank with its main office in Newburyport, Massachusetts, and is a wholly-owned subsidiary of Newburyport Bancorp. Newburyport Bank reorganized into the mutual holding company form of organization in 2011 pursuant to which Newburyport Bank became a Massachusetts-chartered stock savings bank and wholly-owned subsidiary of Newburyport MHC and Newburyport Bancorp. The deposits of Newburyport Bank are insured by the FDIC to the maximum extent permitted by law and by the Massachusetts Depositors Insurance Fund (DIF) for any amounts in excess of FDIC deposit insurance limits. Newburyport Bank has 10 banking offices in Northeast Massachusetts and Southeast New Hampshire serving its customers with a full array of consumer and business banking products. The Division serves as the primary regulator of Newburyport Bank. As of March 31, 2023, Newburyport Bank

reported consolidated assets of approximately \$1.5 billion and total deposits of approximately \$1.3 billion. Newburyport Bank has two nonbank subsidiaries: Newburyport Five Securities Corporation I and Newburyport Five Securities Corporation II.

***Pentucket Bank Holdings, MHC / Pentucket Bancorp, Inc. /
Pentucket Bank***

Pentucket MHC is a Massachusetts mutual holding company registered as a bank holding company under the BHC Act, and Massachusetts General Law chapter 167A. Pentucket MHC has its corporate offices in Haverhill, Massachusetts. Pentucket MHC's principal asset is 100% of the outstanding capital stock of Pentucket Bancorp, its sole subsidiary.

Pentucket Bancorp is a Massachusetts corporation and a wholly-owned subsidiary of Pentucket MHC. Pentucket Bancorp is registered as a bank holding company under the BHC Act. Pentucket Bancorp has its corporate offices in Haverhill, Massachusetts. Pentucket Bancorp's principal asset is 100% of the outstanding capital stock of Pentucket Bank, its sole subsidiary.

Pentucket Bank is a Massachusetts-chartered stock savings bank with its main office in Haverhill, Massachusetts, and is a wholly-owned subsidiary of Pentucket Bancorp. Pentucket Bank reorganized into the mutual holding company form of organization in 2016 pursuant to which Pentucket Bank became a Massachusetts-chartered stock savings bank and wholly-owned subsidiary of Pentucket MHC and Pentucket Bancorp. The deposits of Pentucket Bank are insured by the FDIC to the maximum extent permitted by law and by the DIF for any amounts in excess of FDIC deposit insurance limits. Pentucket Bank has six banking offices in Northeast Massachusetts and Southeast New Hampshire serving its customers with a full array of consumer and business banking products. The Division serves as the primary regulator of Pentucket Bank. As of March 31, 2023, Pentucket Bank reported consolidated assets of approximately \$968 million and total deposits of approximately \$810 million. Pentucket Bank maintains Pentucket Securities Corporation as the sole subsidiary of the bank.

Competition

The Petitioners have 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, Petitioners have 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, Newburyport Bank and Pentucket Bank do not maintain banking offices in any of the same municipalities. Analyzing the branch networks on a more general level, Newburyport Bank and Pentucket Bank each have offices in Essex County, Massachusetts, and Rockingham County, New Hampshire. Newburyport Bank also has an office in Strafford County, New Hampshire, however, Pentucket Bank does not have a branch in Strafford County. Thus, Essex County, Massachusetts, and Rockingham County, New Hampshire, are the only relevant county-based banking markets in connection with the Proposed Transaction. 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 the continuing institution.

Public Convenience and Advantage

The Board also considered whether public convenience and advantage will be promoted by this transaction. For the Petitioners, the Proposed Transaction represents a strategic growth opportunity. By sharing operational costs and resources, Newburyport Bank and Pentucket Bank will be able to remain competitive in the marketplace while maintaining each bank's independent presence and the organization's mutual ownership structure. The greater size of the combined organization will allow efficiencies through the combination of administrative and back-office systems. The Petitioners believe that these anticipated efficiencies are expected to improve the profitability of each bank by more than what each could expect to realize by continuing to operate under separate holding companies. In addition, the Proposed Transaction will result in the introduction of a number of new products and services to the customers of Pentucket Bank, including treasury management services to its business customers, which Pentucket Bank plans to offer to as soon as the systems between the two banks are integrated. By utilizing the same lending platform for each bank, the Petitioners expect to create efficiency while minimizing costs, which will allow for flexible products on a level that are not currently offered to customers of either bank, including: auto lending, small business and SBA lending, credit repair and cash secured consumer loans, bridge financing, VA loans, and secondary market products. The Petitioners also anticipate that government banking and non-profit banking will be extended through a larger market area.

The Board has also considered the Petitioners' 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 Pentucket Bank will be maintained after the Proposed Transaction. The Petitioners also noted in their application that they expect to retain all of Pentucket Bank's employees, thereby providing continuity for its customers and communities. As noted above, 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 Newburyport Bank received a "Satisfactory" rating in its most recent CRA evaluation conducted jointly by the Division and the FDIC as of November 29, 2021. The Board further notes that Pentucket Bank received a "Satisfactory" rating in its most recent CRA evaluation conducted jointly by the Division and the FDIC as of March 24, 2022. 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 Petitioners have provided an opinion of tax counsel and assert that the transaction will be exempt from taxation at the entity level and at the shareholder level for both federal and state tax purposes. Following the Proposed Transaction, the Board of Trustees of the combined mutual holding company will consist of 12 individuals, 6 from each of Newburyport MHC and Pentucket MHC, which include all of the individuals currently serving on the executive committees of the Boards of Trustees of Newburyport MHC and Pentucket MHC. The Board of Directors of Newburyport Bancorp following the Proposed Transaction will have identical membership to the Board of Trustees of the combined mutual holding company. There will be no change in membership to the Boards of Directors of Newburyport Bank or Pentucket Bank as a result of the Proposed Transaction. The current President and Chief Executive Officer of Newburyport MHC, will be the Chief Executive Officer of the combined mutual holding company and the current President and Chief Executive Officer of Pentucket MHC, will be the President of the combined mutual holding company. A committee comprised equally of members of the Boards of each bank will be formed to propose the other officers of the combined mutual

holding company. 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 statute, the Board hereby approves the petition and authorizes Newburyport Five Cents Bancorp, MHC and Newburyport Five Cents Bancorp, Inc. to acquire Pentucket Bank Holdings, MHC and Pentucket Bancorp, Inc., and to directly and indirectly own and control its wholly-owned depository institution subsidiary, Pentucket Bank, provided that the transaction is completed within one year of the date of this Decision.

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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)	

June 26, 2023

Date