



The Commonwealth of Massachusetts

Board of Bank Incorporation

**DECISION
RELATIVE TO THE APPLICATION OF
PEOPLESBANCORP, MHC, HOLYOKE, MASSACHUSETTS
TO ACQUIRE
SSB COMMUNITY BANCORP MHC AND SSB COMMUNITY BANCORP INC.
SPENCER, MASSACHUSETTS**

PeoplesBancorp, MHC, Holyoke, Massachusetts (PeoplesBancorp, MHC), has petitioned the Board of Bank Incorporation (Board) pursuant to Massachusetts General Laws chapter 167A, sections 2 and 4 to acquire and merge with SSB Community Bancorp MHC (SSB Community MHC) and to acquire its wholly-owned subsidiary holding company SSB Community Bancorp Inc. (SSB Inc.) and their subsidiary bank, Cornerstone Bank, each of which are located in Spencer, Massachusetts. PeoplesBancorp, MHC is the mutual holding company for PeoplesBank, Holyoke, Massachusetts. Following the proposed acquisition of SSB Inc., PeoplesBancorp, MHC will rename the subsidiary holding company 'PeoplesBancorp, Inc.' and transfer all of the outstanding shares of common stock of PeoplesBank from PeoplesBancorp, MHC to PeoplesBancorp, Inc. (collectively, the Proposed Transaction).

The Proposed Transaction will result in PeoplesBancorp, Inc. continuing as a wholly-owned subsidiary of PeoplesBancorp, MHC and controlling two Massachusetts state-chartered savings banks, PeoplesBank and Cornerstone Bank. In owning and controlling two banks, PeoplesBancorp, MHC and PeoplesBancorp, Inc. would both become bank holding companies under Massachusetts General Laws chapter 167A, section 2 as a result of the Proposed Transaction. PeoplesBank and Cornerstone Bank will continue their separate legal existence following the Proposed Transaction with each bank maintaining its own 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 and the Board of Directors of the subsidiary holding company.

Legal and Procedural Requirements

PeoplesBancorp, MHC published notice of the application as directed by the Board, thereby affording opportunity for interested parties to submit comments. Other standard notice procedures informing the public of this matter before the Board were also followed. The Board held a public hearing relative to this application on October 8, 2024. The comment period on the Proposed Transaction ended on October 16, 2024, and no comments were received. The Board reviewed the application, all related documents, and considered testimony received at the public hearing. The Board's 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 PeoplesBancorp, MHC 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 Proposed Transaction in a letter dated December 16, 2024.

The Parties

PeoplesBancorp, MHC is a Massachusetts-chartered mutual holding company subject to regulation by the Board and the Massachusetts Division of Banks (Division). PeoplesBancorp, MHC is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. As of September 30, 2024, PeoplesBancorp, MHC had consolidated assets of approximately \$4.30 billion. PeoplesBancorp, MHC's leverage ratio exceeded the regulatory criteria for classification as a "well-capitalized" institution as of September 30, 2024. PeoplesBancorp, MHC's principal asset is 100% ownership of PeoplesBank, a Massachusetts state-chartered savings bank established in 1885 with its main office in Holyoke, Massachusetts.

In addition to its main office located in Holyoke, Massachusetts, PeoplesBank operates a network of 18 branch offices, including 14 branch offices located in western Massachusetts and four branch offices located in northern Connecticut. The deposits of PeoplesBank are insured by the Federal Deposit Insurance Corporation (FDIC) to the maximum extent permitted by law. On July 31, 2024, PeoplesBank withdrew from membership in the Depositors Insurance Fund (DIF) which provides deposit insurance to member banks for any deposit amounts in excess of the FDIC insurance limits. PeoplesBank's post-termination excess deposit insurance coverage with the DIF will expire on July 31, 2025. As of September 30, 2024, PeoplesBank reported total assets of approximately \$4.30 billion and total deposits of approximately \$3.65 billion. PeoplesBank's capital ratios exceeded the regulatory criteria for classification as a "well-capitalized" depository institution as of September 30, 2024. PeoplesBank offers a broad range of commercial, business, and consumer products and services. PeoplesBank maintains six non-bank subsidiaries, including three securities-related subsidiaries and three real estate-related subsidiaries.

SSB Community MHC is a Massachusetts-chartered mutual holding company subject to regulation by the Board and the Division and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. As of June 30, 2024, SSB Community MHC had consolidated assets of approximately \$1.64 billion. SSB Community MHC's leverage ratio exceeded the regulatory criteria for classification as a "well-capitalized" institution as of June 30, 2024. SSB Community MHC's principal asset is 100% ownership of SSB Inc., its sole direct subsidiary. SSB Inc. owns all of the outstanding capital stock

of Cornerstone Bank, the sole direct subsidiary of SSB Inc. SSB Inc. offers no banking products or services directly and does not engage in any activity other than holding the outstanding stock of Cornerstone Bank.

Cornerstone Bank is a Massachusetts state-chartered savings bank founded in 1871. Cornerstone Bank operates a network of 10 branch offices located in central Massachusetts in addition to its main office located in Spencer, Massachusetts. The deposits of Cornerstone 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. As of September 30, 2024, Cornerstone Bank reported total assets of approximately \$1.64 billion and total deposits of approximately \$1.29 billion. Cornerstone Bank's capital ratios exceeded the regulatory criteria for classification as a "well-capitalized" depository institution as of September 30, 2024. Cornerstone Bank operates two securities corporation subsidiaries.

Competition

PeoplesBancorp, MHC has submitted materials to address 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, there are no common banking markets for purposes of the HHI model that are served by both banks and PeoplesBank and Cornerstone Bank do not operate any branch offices in the same county. The HHI analysis therefore demonstrates that consummation of the Proposed Transaction will not result in an undue concentration of banking resources in the specified banking markets in Massachusetts or Connecticut. The Board's review, however, is not limited to such federal standards in its consideration of whether competition will be unreasonably affected. Rather it is the position of this Board to consider a transaction in light of its impact on the citizens, communities, and banking structure on a community-by-community basis instead of by variously grouped markets.

PeoplesBancorp, MHC has presented information that the Proposed Transaction will not have a significant adverse effect on competition among banking institutions in any relevant community. PeoplesBancorp, MHC notes that there is no geographic overlap in the branch office networks maintained by the respective banks. PeoplesBank and Cornerstone Bank do not operate banking offices in any of the same municipalities nor in any of the same counties. All of Cornerstone Bank's banking offices are located in Worcester County, Massachusetts, and PeoplesBank's banking offices are located in Hampden and Hampshire Counties, Massachusetts and in Hartford County, Connecticut. Similarly, there are only a limited number of communities that are included in the primary service areas of both banks which is indicative of two banks that are not engaged in substantial, direct competition with one another. Upon review, the Board does not believe the Proposed 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. PeoplesBancorp, MHC states that the Proposed Transaction represents a strategic growth opportunity that will result in a stronger combined mutual holding company and banking organization. Retaining the separate existence of the two subsidiary banks is intended to permit the banks to maintain their distinct local presence in serving the financial needs of their respective communities. Responses provided in the application and comments at the Board's public hearing referred to the Proposed Transaction providing opportunities for the combination of financial resources and collaboration among the members of the Boards of Directors of the respective banks to produce a combined banking organization that is more competitive and more strategically attractive to other local institutions that may want to join a larger banking organization while retaining their own brand and independence. PeoplesBancorp, MHC states that the Proposed Transaction will create an opportunity for the combined banking organization to pursue a shared services model that centralizes administrative and back-office functions such as accounting, human resources, and information technology to improve operational efficiencies for both subsidiary banks.

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 Massachusetts 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 PeoplesBank received a "Satisfactory" rating in its most recent CRA evaluation conducted jointly by the Division and the FDIC as of August 17, 2021. The Board further notes that Cornerstone Bank received a "High Satisfactory" rating in its most recent CRA evaluation conducted by the Division as of March 4, 2024. Accordingly, the Board's review of factors related to public convenience and advantage are supportive of approval.

The Board has also considered the Petitioner's analysis of "net new benefits" related to the Proposed 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. The application materials noted that the initial capital investments associated with the Proposed Transaction will likely be minimal and limited to costs and fees associated with completing the Proposed Transaction. Additional capital investments typically associated with other merger transactions, including system conversions and branch office modifications, are not present in this transaction due to the subsidiary banks continuing as separate banks following the combination of the mutual holding companies. PeoplesBancorp, MHC anticipates that capital investments will increase in the future as the strategic plans of the combined organization are implemented. PeoplesBancorp, MHC also indicated that it expects to retain all of PeoplesBank's and Cornerstone Bank's employees in their current roles and at current salary and benefit levels, thereby providing continuity for the customers and communities served by both subsidiary banks. Addressing the consumer and business services considerations under the net new benefits analysis,

PeoplesBancorp, MHC states that PeoplesBank and Cornerstone Bank will continue to offer all of their respective products and services that each bank currently offers to its customers. Although both banks offer a broad range of commercial, business, and consumer products and services, there are certain offerings available from PeoplesBank that are not offered by Cornerstone Bank and vice versa. PeoplesBancorp, MHC anticipates that future collaborations between the two banks will likely result in expanded offerings by both banks to include some of the additional products and services offered by the other bank. Each bank's products and services will continue to be offered from their current banking office locations as there are no branch closings or consolidations proposed in connection with this Proposed Transaction.

The Board has considered the application and testimony provided at the Board's public hearing and finds that consideration of public convenience and advantage including net new benefits weighs in favor of approving the Proposed Transaction.

The financial and managerial aspects of any transaction are also significant considerations for the Board, as they may affect the continuing mutual 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. PeoplesBancorp, MHC describes in the application that a debt issuance is to be completed through a private placement offering in connection with this Proposed Transaction. Upon consummation of the Proposed Transaction, PeoplesBancorp, MHC will remain a well-capitalized mutual holding company under applicable bank regulatory guidelines. PeoplesBancorp, MHC stated that the Proposed Transaction is expected to constitute a tax-free reorganization under applicable state and federal tax laws.

Upon the closing of the Proposed Transaction, PeoplesBancorp, MHC's Board of Trustees will consist of eleven trustees, seven of which will be current trustees of PeoplesBancorp, MHC and four of which will be current trustees of SSB Community MHC. The Chief Executive Officers of PeoplesBank and Cornerstone Bank, respectively, would be two of the eleven trustees of PeoplesBancorp, MHC following the consummation of the Proposed Transaction. As described in the application and set forth in an Agreement and Plan of Merger dated as of June 18, 2024, the combining institutions have agreed to procedures governing trustee re-nominations and the filling of any trustee vacancies for a period of five years following the completion of the Proposed Transaction that are intended to preserve the same level of representation as described above from the former Boards of Trustees of PeoplesBancorp, MHC and SSB Community MHC. The structure and composition of the Board of Directors of PeoplesBancorp, Inc. will mirror what is maintained at PeoplesBancorp, MHC following the mutual holding company merger.

To promote information sharing within the mutual holding company organization and between the subsidiary banks, the Chief Executive Officer of PeoplesBank and one independent director of PeoplesBank who is also a trustee of PeoplesBancorp, MHC will be provided with all Board and committee materials and invited to attend each of the Board and committee meetings of Cornerstone Bank. Likewise, the Chief

Executive Officer of Cornerstone Bank and one independent director of Cornerstone Bank who is also a trustee of PeoplesBancorp, MHC will be provided with all Board and committee materials and invited to attend each of the Board and committee meetings of PeoplesBank. Following the consummation of the Proposed Transaction, the principal officers of PeoplesBank and Cornerstone Bank will remain unchanged. The Board's consideration of the financial and managerial aspects of the Proposed 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 Proposed 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. Accordingly, the Board has concluded that the application should be approved.

In accordance with the findings expressed herein and pursuant to the statutory authority cited herein, the Board hereby approves the petition and authorizes PeoplesBancorp, MHC to acquire SSB Community MHC and SSB Inc. and to directly and indirectly own and control its subsidiary depository institution, Cornerstone Bank, provided that: (1) the Proposed Transaction shall not be consummated until all necessary additional regulatory approvals have been obtained; and (2) the Proposed Transaction is completed within one year of the date of this Decision.

<u>Mary L. Gallagher</u>)
Commissioner of Banks)
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)
<u>Deborah B. Goldberg</u>)
Treasurer and Receiver-General)
)
<u>Donald Twomey</u>)
Designee of the Commissioner of Revenue)

Board of
Bank
Incorporation

December 23, 2024
Date