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## **COMMONWEALTH OF MASSACHUSETTS**

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#### **DECISION RELATIVE TO THE MERGER OF FOXBORO FEDERAL SAVINGS, FOXBORO, MASSACHUSETTS WITH AND INTO NORWOOD CO-OPERATIVE BANK, NORWOOD, MASSACHUSETTS**

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Norwood Co-operative Bank, Norwood, Massachusetts (Norwood) has applied to the Division of Banks (Division) for approval to merge with Foxboro Federal Savings, Foxboro, Massachusetts (Foxboro Federal) pursuant to the provisions of Massachusetts General Laws chapter 167H, section 7(2) and chapter 167I, section 2. Under the terms of a Merger Agreement and Plan of Merger both dated as of July 25, 2022, by and among 1889 Bancorp MHC, 1889 Financial Services Corporation, Norwood, and Foxboro Federal (collectively, the Merger Agreement), Foxboro Federal will merge with and into Norwood (Merger) under the charter, bylaws, and name of Norwood (Continuing Institution). The main office of Norwood will remain the main office of the Continuing Institution after consummation of the proposed Merger, and the Continuing Institution will retain all of the banking offices of Foxboro Federal as branch offices.

#### **Legal and Procedural Requirements**

Notice of Norwood's application was posted and published as directed by the Division thereby affording opportunity for interested parties to submit comments to the Division. The period for filing comments has expired, and no comments were received. The Division reviewed the application and supplementary materials submitted by Norwood in accordance with applicable law, including the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage as well as "net new benefits" will be promoted by approval of the proposed transaction. The Division also considered both banks' records of performance under the Community Reinvestment Act (CRA) as well as financial and managerial factors.

Pursuant to Massachusetts General Laws chapter 167I, section 6, the bank to be acquired must have been in existence for not less than three years and the continuing institution may not control more than thirty percent (30%) of the total deposits, exclusive of foreign deposits, of all depository institutions in Massachusetts insured by the Federal Deposit Insurance Corporation (FDIC). Norwood provided information demonstrating that both the age of institution and deposit concentration limit are satisfied by the proposed Merger.

In reviewing the proposed transaction, the Division must receive notice from the Massachusetts Depositors Insurance Fund (DIF) that satisfactory arrangements have been made relative to providing excess deposit insurance coverage for the deposits of the Continuing Institution. The Division received notice from the DIF in a letter dated September 7, 2022 confirming that satisfactory arrangements have been made in connection with the proposed Merger.

#### The Parties

Norwood is a Massachusetts state-chartered co-operative bank and is a wholly-owned subsidiary of 1889 Financial Services Corporation which is a wholly-owned subsidiary of 1889 Bancorp MHC, a Massachusetts mutual holding company. Norwood operates from its main office in Norwood, Massachusetts and does not maintain any additional branch office locations. As of June 30, 2022, Norwood had total assets of approximately \$669.6 million and total deposits of approximately \$558.1 million. Norwood's deposits are insured up to applicable limits by the FDIC and amounts in excess of FDIC deposit insurance limits are insured by the DIF.

Foxboro Federal is a mutual federal savings association supervised by the Office of the Comptroller of the Currency. Foxboro Federal operates from its main office in Foxboro, Massachusetts and has two branch offices located in Norfolk, Massachusetts and Plainville, Massachusetts. As of June 30, 2022, Foxboro Federal had total assets of approximately \$205.1 million and total deposits of approximately \$178.1 million. Deposits at Foxboro Federal are insured up to applicable limits by the FDIC. Foxboro Federal has 1 wholly-owned subsidiary, One Central Security Corporation. Pursuant to the Merger Agreement, One Central Security Corporation would be combined with and into Norwood's wholly-owned security corporation subsidiary, Norwood Security Corporation, in connection with the Merger.

As set forth in the application, the former banking offices of Foxboro Federal will be operated under a trade name. Norwood stated to the Division that the former banking offices of Foxboro Federal will use the trade name “Foxboro Savings, a Division of Norwood Bank.”

### Competition

Norwood submitted materials to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. In analyzing the impact of a proposed transaction on banking competition, the Division considers, but does not rely exclusively upon, the guidelines used by the federal authorities to review bank mergers. These guidelines define relevant geographic markets and measure market concentrations as indicators of competitiveness in the local banking markets. The starting point in the federal analysis is the Herfindahl-Hirschman Index (HHI), an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in the affected market into a single value. In the case of the proposed Merger, the HHI analysis demonstrates that consummation of the transaction will not result in an undue concentration of banking resources. Norwood and Foxboro Federal compete in the geographic market defined by Norfolk County, Massachusetts for purposes of the FDIC’s pro forma market share projection of deposits to be held by the Continuing Institution and for purposes of the HHI analysis. With a projected change of less than 2 points in the post-merger HHI Index Value, market concentration would remain essentially unchanged following the combination of Foxboro Federal with and into Norwood. This minimal change in the HHI Index Value, combined with the Continuing Institution’s projected market share of approximately 4.1% in the geographic market, support a finding that consummation of the transaction will not result in an undue concentration of banking resources.

In addition to reviewing the HHI analysis, the Division also considers the competitive impact of the proposed transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. There are no cities or towns in which both banks maintain a banking office. The Merger will not reduce the number of banking locations in any of the communities in which the two banks do business since Norwood is planning to operate its sole banking office as the main office of the Continuing Institution and to maintain all of the branches of Foxboro Federal. Also, the presence of other banks, credit unions, and non-depository lenders in the relevant market is a further indication that the proposed

transaction will not have a significant adverse effect on competition nor result in an undue concentration of banking resources in the communities to be served by the Continuing Institution. Based upon the foregoing, the Division finds that the proposed transaction will not unreasonably impact competition.

#### Public Convenience and Advantage

The Division also considered whether public convenience and advantage will be promoted by the proposed transaction. While customers of both banks currently have access to the residential and consumer lending facilities of the respective banks, Foxboro Federal customers will benefit from the opportunity to access Norwood's portfolio of commercial and small business loan products and cash management services which are not currently offered by Foxboro Federal. Norwood anticipates that current customers of both banks and prospective customers of the Continuing Institution will benefit from the larger size and combined resources realized through the proposed Merger which will also permit the Continuing Institution to offer products and services more efficiently and to spread costs over a larger asset base. As a federal savings association, Foxboro Federal is not a member of the DIF and does not offer excess deposit insurance to customers; current customers of Foxboro Federal will therefore gain the additional protection of excess deposit insurance coverage for any deposit balances above the FDIC deposit insurance limits. The Division considered these factors and others cited in the submitted application materials in determining that public convenience and advantage will be promoted by approval of this transaction.

In determining whether to approve a petition under the statutory criteria, the Division is also required to consider a showing of "net new benefits" related to the transaction. That term as set out in Massachusetts General Laws chapter 167I, section 2 includes consideration of initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors that the Division may deem necessary. Norwood satisfactorily addressed this requirement of the statute. Norwood reported an intent to make initial capital investments to update signage at the Foxboro Federal offices and to conduct a core data processing system conversion to transition Foxboro Federal's core systems to Norwood's data processing system platform. Norwood indicated that the condition of the existing offices of Foxboro Federal do not otherwise necessitate additional, significant capital investments at this time.

Norwood anticipates that the Continuing Institution will be able to both operate more efficiently by delivering services on a more cost-effective basis and to increase product and service offerings. In addressing the effect of the transaction on Foxboro Federal's employees, Norwood stated that all current officers and employees of Foxboro Federal may continue to be employed by the Continuing Institution. Expanded operations and future growth are also anticipated to produce future job creation and opportunities for career advancement for current employees of both banks. As noted above, the application materials describe Norwood's intent to continue to operate all of Foxboro Federal's banking offices as branch offices of the Continuing Institution. Based upon the review of these factors, the Division finds that the information provided to address the matters of public convenience and advantage, including net new benefits, are consistent with approval of the proposed transaction.

Another factor for consideration closely related to the issue of public convenience and advantage is the record of CRA performance by the respective banks. Such review for Massachusetts state-chartered banks includes examination by personnel of the Division. A publicly available descriptive rating and evaluation by a federal bank regulatory agency may also be considered. Norwood received a "Satisfactory" rating in its most recent CRA performance evaluation conducted jointly by the Division and the FDIC as of September 23, 2019. Foxboro Federal also received a "Satisfactory" rating in its most recent CRA performance evaluation conducted by the Office of the Comptroller of the Currency as of March 7, 2022. The Division's review of the CRA performance of Norwood and Foxboro Federal supports the approval of the proposed Merger.

#### Financial and Managerial Considerations

The Division reviews and considers the financial and managerial aspects of the proposed transaction. Because the Merger is a combination of a mutual depository institution with and into Norwood, no consideration will be exchanged and no financing arrangements were necessary to complete this transaction. Materials provided with the merger application indicate that upon consummation of the transaction, the Continuing Institution will continue to meet all regulatory capital requirements as a well-capitalized institution.

According to the application, the Board of Directors of 1889 Financial Services Corporation and the Board of Directors of the Continuing Institution upon consummation of the proposed transaction will consist of those individuals currently serving as directors of 1889 Financial Services Corporation and Norwood, respectively, as well as six members from the current Board of Directors of Foxboro Federal. The Board of Trustees of 1889 Bancorp MHC have also made a commitment under the provisions of the Merger Agreement to cause the same six current directors of Foxboro Federal and a number of Foxboro Federal depositors to be elected as corporators of 1889 Bancorp MHC at the next annual or special meeting such that the total number of the mutual holding company's corporators comprised of former Foxboro Federal directors and depositors represents forty percent of the total number of corporators of the mutual holding company. The principal executive officers of the Continuing Institution will consist of those individuals currently serving as principal executive officers of Norwood, and the current President and Chief Executive Officer of Foxboro Federal will be appointed to the position of President of the Foxboro Savings Division of the Continuing Institution. Accordingly, the financial and managerial considerations support approval of the application.

### Conclusion

Upon review of the complete record of the application with reference to the relevant statutory and regulatory requirements, the Division concludes that all such requirements have been met and that consummation of the proposed transaction is in the public interest. On the basis of these considerations, and subject to the conditions set forth below, approval is granted for Foxboro Federal to merge with and into Norwood under the charter, bylaws, and name of Norwood pursuant to Massachusetts General Laws chapter 167I, section 2. Approval is also granted to maintain the former banking offices of Foxboro Federal as branch offices of the Continuing Institution pursuant to Massachusetts General Laws chapter 167I, section 2.

The approvals granted herein are subject to the following conditions:

1. That the proposed Merger shall not become effective until a Certificate signed by the Presidents and Clerks, or other duly authorized officers of each bank, indicating that each institution has complied with the provisions of Massachusetts General Laws chapter 167I, section 2 has been returned with my endorsement thereon;

2. That the proposed Merger shall not become effective unless the Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
3. That the proposed Merger shall be consummated within one year of the date of this Decision.

Mary L. Gallagher  
Commissioner of Banks

November 28, 2022  
Date