



COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

DIVISION OF BANKS

1000 Washington Street, 10TH Floor, Boston, MA 02118-6400
(617) 956-1500 · Fax (617) 956-1599 · TDD (617) 956-1577
www.Mass.Gov/DOB

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

MIKE KENNEALY
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

EDWARD A. PALLESCHI
UNDERSECRETARY

MARY L. GALLAGHER
COMMISSIONER

**DECISION
RELATIVE TO THE MERGER OF
PATRIOT COMMUNITY BANK, WOBURN, MASSACHUSETTS
WITH AND INTO
EAST CAMBRIDGE SAVINGS BANK, CAMBRIDGE, MASSACHUSETTS**

East Cambridge Savings Bank, Cambridge, Massachusetts (East Cambridge) has applied to the Division of Banks (Division) for approval to merge with Patriot Community Bank, Woburn, Massachusetts (Patriot) pursuant to the provisions of Massachusetts General Laws chapter 167I, section 3 and Massachusetts General Laws chapter 167H, section 7.

The merger application was filed in connection with a multi-step transaction (Proposed Transaction) in which the parent company of East Cambridge, 1854 Bancorp (Parent Company), a Massachusetts mutual holding company, is seeking approval of the proposed acquisition of 100% of the outstanding shares of Patriot through the merger of 1854 Interim Bank (Interim Bank), an interim Massachusetts stock savings bank, with and into Patriot, with Patriot as the continuing institution (First-Step Merger). Immediately prior to this First-Step Merger, Interim Bank will be formed as a wholly-owned subsidiary of Parent Company for the purpose of merging with and into Patriot. Immediately following the First-Step Merger, Patriot will merge with and into East Cambridge, with East Cambridge as the continuing institution (Second-Step Merger).

The First-Step Merger and Second-Step Merger will be effected pursuant to separate but related Agreements and Plans of Merger, by and among Parent Company, East Cambridge, and Patriot (collectively, the Merger Agreements). Under the terms of the Merger Agreements, Patriot will merge with and into East Cambridge under the charter, by-laws, and name of East Cambridge (Continuing Institution). The main office of East Cambridge will remain the main office of the Continuing Institution

after consummation of the Proposed Transaction and the Continuing Institution will retain the one and only banking office of Patriot as a branch office.

Legal and Procedural Requirements

Notice of East Cambridge's application was posted and published as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired, and no comments were received. The Division reviewed the application and supplementary materials submitted by East Cambridge 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, and "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 167A, section 3, an application to the Commonwealth's Board of Bank Incorporation was not necessary for this transaction because of the structure of the multi-step transaction. In reviewing the Proposed Transaction, the Division must receive notice from the Massachusetts Housing Partnership Fund (MHPF) that satisfactory arrangements have been made consistent with Massachusetts General Laws chapter 167A, section 4 and the MHPF's affordable housing loan programs. The Division received notice from the MHPF that satisfactory arrangements have been made for this transaction in a letter dated July 12, 2022.

In reviewing the proposed transaction, the Division must receive notice that satisfactory arrangements have been made with the excess deposit insurer. The Depositors Insurance Fund confirmed by letter dated March 29, 2022 that satisfactory arrangements have been made relative to the Proposed Transaction.

The Parties

East Cambridge is a Massachusetts state-chartered stock savings bank and is the sole banking subsidiary of 1854 Bancorp. In addition to its main office, East Cambridge operates nine full-service branches in Massachusetts, plus a branch that is an educational training facility located at Cambridge Rindge and Latin School. As of March 31, 2022, East Cambridge had total assets of approximately \$1.3 billion and total deposits of approximately \$1.1 billion. The deposits of East Cambridge are insured up to

applicable limits by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limits are insured by the Depositors Insurance Fund.

Patriot is a Massachusetts state-chartered stock co-operative bank. Patriot operates out of its only office in Woburn, Massachusetts, through which it offers business, commercial, and personal products and services such as fixed and adjustable-rate mortgages; jumbo, construction, interest-only, and bridge loans; and checking and savings accounts. As of March 31, 2022, Patriot had total assets of approximately \$203 million and total deposits of approximately \$171 million. The deposits of Patriot are insured up to applicable limits by the FDIC. Deposits in excess of the FDIC limits are insured by the Depositors Insurance Fund.

Competition

East Cambridge 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. Based on the information presented by East Cambridge, the HHI analysis demonstrates that consummation of the transaction will not cause a substantial reduction in competition or result in an undue concentration of banking resources in the relevant markets.

In addition to reviewing the HHI analysis submitted by East Cambridge, 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. The Proposed Transaction will have a minimal effect on the communities in which the two banks do business since East Cambridge is planning to maintain all of its current branches, as well as the one banking office of Patriot. Also, the significant presence of other banks, credit unions, and non-depository lenders in the relevant markets is a further indication that the proposed transaction will not result in an undue concentration of banking resources in the communities to

be served by the Continuing Institution. Accordingly, the Division's analysis of the competitive impact of this transaction supports an approval.

Public Convenience and Advantage

The Division considers information provided in the application addressing whether public convenience and advantage will be promoted by the Proposed Transaction. East Cambridge anticipates that the Proposed Transaction will provide Patriot with the opportunity to become part of a larger banking organization that possesses the financial and personnel resources necessary to maintain the continuing growth and innovation that can be essential to remaining competitive within the banking market of Greater Boston. East Cambridge states that the Proposed Transaction will enhance several banking services offered by the Continuing Institution and will enable Patriot customers to access enhanced services while maintaining their existing banking relationships. With no branch office closings anticipated as a result of this transaction, customers of Patriot will also benefit from access to the larger branch office network of East Cambridge.

In determining whether to approve a petition under the statutory criteria, the Division is 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 3 includes 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. To make a determination as to the proposed transaction's net new benefits, the Division notes the following considerations from the application submission. East Cambridge currently offers a broader array of banking products and services than presently offered by Patriot, and the Continuing Institution will be in a better position to continue to develop additional products and services. These additional consumer services include: financial and investment planning, merchant services, digital banking (including ACH and wire transfer services), remote deposit capture options, credit card services, and expanded array of credit options focused on promoting first time homebuying and small business growth. East Cambridge plans to maintain the sole banking office of Patriot as a branch office of the Continuing Institution. Based upon the review of these factors, the Division finds that the submissions related to public convenience and advantage, including net new benefits, are consistent with approval of the 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-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. East Cambridge received a “Satisfactory” rating in its most recent CRA performance evaluation conducted by the Division as of April 26, 2021. Patriot received a “Satisfactory” rating in its most recent CRA performance evaluation conducted by the Division as of June 3, 2019. East Cambridge noted in the application materials that the local communities currently served by Patriot will benefit from the stronger institution resulting from the combination of the two banks. The Division’s review of the CRA performance of East Cambridge and Patriot also supports the approval of the Proposed Transaction.

Financial and Managerial Considerations

The Division reviews and considers the financial and managerial aspects of the proposed transaction. East Cambridge has adequate capital and liquidity on a consolidated basis to complete the Proposed Transaction without reliance on any external financing. Materials provided indicate that upon consummation of the transaction, the Continuing Institution will meet all applicable regulatory capital requirements.

East Cambridge plans to declare and pay a cash dividend to 1854 Bancorp, East Cambridge’s sole shareholder, prior to the closing of the Proposed Transaction. A Dividend Request has been filed with the Division and will be issued via a separate document in conjunction with the approval of the Proposed Transaction. Upon receipt of East Cambridge’s dividend, 1854 Bancorp will use its own funds and proceeds of the dividend to capitalize Interim Bank, which will then merge with and into Patriot. There are no other plans to issue dividends, raise additional capital, or incur external debt as a result of the Proposed Transaction.

According to the application, the Board of Directors of the Continuing Institution will consist of those individuals currently serving as directors of East Cambridge. The principal executive officers of the Continuing Institution will consist of those individuals currently serving as principal executive officers of East Cambridge, and Patriot’s President and Chief Executive Officer will also join the Continuing

Institution in an executive officer capacity. Accordingly, upon review, the financial and managerial considerations support the Division's 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 the establishment of 1854 Interim Bank pursuant to Massachusetts General Laws chapter 167I, section 18 and chapter 168 as an interim Massachusetts stock savings bank for the purpose of facilitating the Proposed Transaction. Approval is also granted for 1854 Interim Bank to merge with and into Patriot under the charter, by-laws, and name of Patriot pursuant to section 3 of chapter 167I of the Massachusetts General Laws. Approval is also granted for Patriot to merge with and into East Cambridge under the charter, by-laws, and name of East Cambridge pursuant to section 3 of chapter 167I and section 7 of chapter 167H of the Massachusetts General Laws. Approval is also granted to maintain the former banking office of Patriot as a branch office of the Continuing Institution pursuant to Massachusetts General Laws chapter 167C, section 3.

The approvals granted herein are subject to the following conditions:

1. That the Proposed Transaction 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 3 has been returned with my endorsement thereon;
2. That the Proposed Transaction 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 Transaction shall be consummated within one year of the date of this Decision.

Mary L. Gallagher

Commissioner of Banks

July 26, 2022

Date