

FEDERAL RESERVE SYSTEM

Brookline Bancorp, Inc.
Boston, Massachusetts

Order Approving the Merger of Bank Holding Companies

Brookline Bancorp, Inc. (“Brookline”), Boston, Massachusetts, a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”),¹ has requested the Board’s approval under section 3 of the BHC Act² to merge with PCSB Financial Corporation (“PCSB”), a bank holding company, and thereby indirectly acquire PCSB’s state-chartered bank subsidiary, PCSB Bank, both of Yorktown Heights, New York.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (87 Federal Register 42178 (July 14, 2022)), in accordance with the Board’s Rules of Procedure.⁴ The time for submitting comments has expired, and the Board has considered the proposal and the comment received in light of the factors set forth in section 3 of the BHC Act.

Brookline, with consolidated assets of approximately \$8.6 billion, is the 169th largest insured depository organization in the United States.⁵ Brookline controls approximately \$7.0 billion in consolidated deposits, which represent less than 1 percent

¹ 12 U.S.C. § 1841 et seq.

² 12 U.S.C. § 1842.

³ In connection with the proposal, PCSB Bank has applied for membership in the Federal Reserve System.

⁴ 12 CFR 262.3(b).

⁵ Consolidated asset and national ranking data are as of June 30, 2022.

of the total amount of deposits of insured depository institutions in the United States.⁶ Brookline controls Brookline Bank, Brookline, Massachusetts, a state member bank, which operates only in Massachusetts, and Bank Rhode Island (“BankRI”), Providence, Rhode Island, a state member bank, which operates only in Rhode Island.

PCSB, with consolidated assets of approximately \$2.0 billion, is the 526th largest insured depository organization in the United States. PCSB controls approximately \$1.7 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. PCSB controls PCSB Bank, which operates only in New York.

On consummation of this proposal, Brookline would become the 153rd largest insured depository organization in the United States, with consolidated assets of approximately \$10.4 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. Brookline would control total consolidated deposits of approximately \$8.6 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.

Interstate Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.⁷ The Board may not approve under this provision an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory

⁶ Consolidated national deposit and market share data are as of June 30, 2022. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁷ 12 U.S.C. § 1842(d)(1)(A).

minimum period of time or five years.⁸ When determining whether to approve an application under this provision, the Board must take into account the record of the applicant's depository institution under the Community Reinvestment Act of 1977 ("CRA")⁹ and the applicant's record of compliance with applicable state community reinvestment laws.¹⁰ In addition, the Board may not approve an interstate application under this provision if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.¹¹

For purposes of this provision, the home state of Brookline is Massachusetts.¹² PCBS is located in New York. Brookline is well capitalized and well managed under applicable law. PCBS Bank has been in existence for more than five years, and Brookline Bank and BankRI both have a "Satisfactory" rating under the CRA.¹³

⁸ 12 U.S.C. § 1842(d)(1)(B).

⁹ 12 U.S.C. § 2901 et seq.

¹⁰ 12 U.S.C. § 1842(d)(3).

¹¹ 12 U.S.C. § 1842(d)(2)(A) and (B). Under section 3(d) of the BHC Act, the acquiring and target organizations have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch.

¹² 12 U.S.C. § 1841(o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

¹³ Both of the jurisdictions in which Brookline operates—Massachusetts and Rhode Island—have state community reinvestment laws. See Mass. Gen. Laws ch. 167, § 14;

On consummation of the proposed transaction, Brookline would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. Brookline and PCSB do not have overlapping banking operations. Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.¹⁴ The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.¹⁵

Brookline and PCSB do not compete directly in any banking market. The Department of Justice conducted a review of the potential competitive effects of the proposal and has advised the Board that it has not concluded that the proposal would have a significantly adverse effect on competition. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

209 CMR 46.00; R.I. Stat. § 19-9-4. Brookline represents that Brookline Bank and BankRI are in compliance with these state community reinvestment laws.

¹⁴ 12 U.S.C. § 1842(c)(1)(A).

¹⁵ 12 U.S.C. § 1842(c)(1)(B).

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.¹⁶ In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete the proposed integration of the operations of the institutions effectively. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

Brookline, PCSB, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a share or cash exchange.¹⁷ The capital, asset quality, earnings, and liquidity of Brookline and PCSB are consistent with approval, and Brookline and PCSB Bank appear

¹⁶ 12 U.S.C. § 1842(c)(2), (5), and (6).

¹⁷ To effect the transaction, each share of PCSB common stock would be converted into a right to receive cash or shares of Brookline common stock. Following the merger, Brookline would operate PCSB Bank as a separate standalone bank. Brookline has the financial resources to effect the proposed transaction.

to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations effectively. In addition, the future prospects of the institutions are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of Brookline, PCSB, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Brookline; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comment on the proposal.

Brookline, PCSB, and their subsidiary depository institutions are each considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and Brookline's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered Brookline's plans for implementing the proposal. Brookline has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, Brookline's management has the experience and resources to operate the resulting organization in a safe and sound manner, and Brookline plans to integrate PCSB Bank's existing management and personnel in a manner that augments Brookline's management.

Based on all the facts of record, including Brookline's and PCSB's supervisory records, managerial and operational resources, and plans for operating the combined organization after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of

Brookline and PCSB in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.¹⁸ In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the combined organization. The Board reviews a variety of information to determine whether the relevant institutions' records demonstrate a history of helping to meet the needs of their customers and communities. The Board also reviews the combined institution's post-consummation plans and the expected impact of those plans on the communities served by the combined institution, including on low- and moderate-income ("LMI") individuals and communities. The Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, and are providing access to banking products and services that meet the needs of customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In addition, the Board reviews the records of the relevant depository institutions under the CRA.¹⁹ The Board strongly encourages insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation and their obligations under the CRA.²⁰

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, gender, or certain other characteristics. The Board also considers assessments of other relevant

¹⁸ 12 U.S.C. § 1842(c)(2).

¹⁹ 12 U.S.C. § 2901 et seq.

²⁰ See 12 U.S.C. § 2901(b).

supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and public comments on the proposal. The Board also may consider the acquiring institution's business model and intended marketing and outreach, the combined organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Brookline Bank, BankRI, and PCSB Bank; the fair lending and compliance records of these banks; the supervisory views of the Federal Reserve Bank of Boston ("Reserve Bank") and the Federal Deposit Insurance Corporation ("FDIC"); confidential supervisory information; information provided by Brookline; and the public comment received on the proposal.

Public Comment on the Proposal

The Board received one adverse comment on the proposal. The commenter objected to the proposal, alleging that in 2021, Brookline Bank made fewer home loans to African American individuals as compared to white individuals.²¹

Businesses of the Involved Institutions and Response to the Public Comment

Through Brookline Bank, BankRI, and their subsidiaries, Brookline offers consumer and commercial banking, retirement, benefits, investment, insurance, wealth management, and mortgage products and services. Through PCSB Bank, PCSB offers consumer and commercial banking and originates and purchases commercial, business, and real estate loans and purchases investment securities.

In response to the comment, Brookline asserts that the comment focuses only on certain data points without explaining why or how those data points reflect any form of discrimination or discernable pattern of lending. For example, Brookline maintains that the comment does not claim that unqualified white applicants were

²¹ The commenter cited publicly available data from 2021 reported by Brookline Bank under the Home Mortgage Disclosure Act of 1975 ("HMDA"), 12 U.S.C. § 2801 et seq.

approved, qualified minority applicants were denied, or similarly situated white and minority applicants were treated differently in any way.

In addition, Brookline asserts its record of meeting the needs of the communities it serves supports approval of the application. Brookline notes that both Brookline Bank and BankRI received overall “Satisfactory” CRA ratings, and Brookline Bank received a “High Satisfactory” rating on the Lending Test, in the CRA performance evaluations dated February 10, 2020. Brookline also notes that Brookline Bank’s 2020 CRA performance evaluation did not indicate that examiners had found any evidence of lending discrimination or disparate lending practices. Brookline represents that Brookline Bank offers specialized lending and educational programs that assist LMI borrowers and small businesses in obtaining credit, including programs and services focused on financial literacy, first-time homebuyers, and underserved and underbanked communities.

Records of Performance under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution’s most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the Reserve Bank with respect to both Brookline Bank and BankRI and the FDIC with respect to PCSB Bank.²² In addition, the Board considers information provided by the applicant and public commenter.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution’s record of helping to meet the credit needs of its entire community, including LMI neighborhoods.²³ An institution’s most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site

²² See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48,506, 48,548 (July 25, 2016).

²³ 12 U.S.C. § 2906.

evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as Brookline Bank, BankRI, and PCSB Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;²⁴ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible

²⁴ Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

lending practices to address the credit needs of LMI individuals and geographies.²⁵ The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.²⁶

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may not be available from public HMDA data.²⁷ Consequently, the Board requests additional information not available to the public that may be needed from the institution and evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

CRA Performance of Brookline Bank

Brookline Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Reserve Bank, as of May 16, 2022

²⁵ See 12 CFR 228.22(b).

²⁶ See 12 CFR 228.23 & .24.

²⁷ Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public, such as credit scores, before reaching a determination regarding an institution's compliance with fair lending laws.

(“Brookline Bank Evaluation”).²⁸ The bank received “High Satisfactory” ratings for both the Lending and Investment Tests and a “Low Satisfactory” rating for the Service Test.²⁹

With respect to the Lending Test, examiners found that Brookline Bank’s lending levels reflected good responsiveness to the credit needs in the bank’s AA, taking into account the number and amount of home mortgage and small business loans in the bank’s AA. Examiners also found that the geographic distribution of loans reflected adequate penetration throughout the bank’s AA and that the distribution of loans to borrowers of different income levels and businesses of different sizes was good, given the product lines offered by the bank. Examiners noted that Brookline Bank exhibited a good record of serving the credit needs of highly economically disadvantaged areas, low-income individuals, and businesses with gross annual revenues of \$1 million or less in its AA, consistent with safe and sound operations. Examiners also noted that Brookline Bank made use of innovative or flexible lending practices in order to serve the credit needs of LMI individuals or geographies and demonstrated leadership in making

²⁸ The Brookline Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed small business and HMDA-reportable loan data from January 1, 2019, through December 31, 2020. Examiners also reviewed community development activities from February 10, 2020, through May 16, 2022.

²⁹ The Brookline Bank Evaluation involved a full-scope review of the bank’s activities in its sole AA, consisting of Essex and Suffolk counties; the cities and towns of Acton, Arlington, Ashland, Bedford, Belmont, Billerica, Burlington, Cambridge, Carlisle, Concord, Everett, Framingham, Lexington, Lincoln, Malden, Maynard, Medford, Melrose, Natick, Newton, North Reading, Reading, Sherborn, Somerville, Stoneham, Sudbury, Wakefield, Waltham, Watertown, Wayland, Weston, Wilmington, Winchester, and Woburn in Middlesex county; and the cities and towns of Avon, Braintree, Brookline, Canton, Dedham, Dover, Holbrook, Medfield, Millis, Milton, Needham, Norfolk, Norwood, Quincy, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood, and Weymouth in Norfolk county, all in the Boston-Cambridge-Newton, Massachusetts-New Hampshire Metropolitan Statistical Area (“MSA”).

community development loans. Examiners observed that a substantial majority of Brookline Bank's loans were made in the bank's AA.

With respect to the Investment Test, examiners found that Brookline Bank made a significant level of qualified community development investments, particularly those not routinely provided by private investors, occasionally in a leadership position. Examiners also found that the bank made significant use of innovative or complex qualified investments. Examiners characterized Brookline Bank as having exhibited good responsiveness to credit and community development needs.

With respect to the Service Test, examiners determined that Brookline Bank's delivery systems were reasonably accessible to geographies and individuals of different income levels in the bank's AA. Examiners found that the bank's record of opening and closing branches had not adversely affected the accessibility of the bank's delivery systems, particularly to LMI geographies and individuals. Examiners noted that Brookline Bank's hours of operation did not vary in a way that inconvenienced the bank's AA, particularly LMI geographies and individuals. Examiners also noted that Brookline Bank provided an adequate level of community development services.

CRA Performance of BankRI

BankRI was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Reserve Bank, as of May 16, 2022 ("BankRI Evaluation").³⁰ The bank received "High Satisfactory" ratings for both the Lending and Service Tests and a "Low Satisfactory" rating for the Investment Test.³¹

³⁰ The BankRI Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed HMDA residential and small business loan data from January 1, 2019, through December 31, 2020. Examiners also reviewed community development activities from February 10, 2020, through May 16, 2022.

³¹ The BankRI Evaluation involved full-scope reviews of the bank's activities in its sole AA, consisting of Kent and Newport counties; the cities and towns of Central Falls, Cranston, Cumberland, East Providence, Johnston, Lincoln, North Providence, North Smithfield, Pawtucket, Providence, Scituate, Smithfield, and Woonsocket in Providence County; and the towns of Narragansett, North Kingstown, and South Kingstown in Washington County, all in the Providence-Warwick, Rhode Island-Massachusetts MSA.

With respect to the Lending Test, examiners found that BankRI's lending levels reflected good responsiveness to the credit needs in the bank's AA, taking into account the number and amount of home mortgage and small business loans in the bank's AA. Examiners also found that the geographic distribution of loans reflected excellent penetration throughout the bank's AA and that the distribution of loans to borrowers of different income levels and businesses of different sizes was good. Examiners noted that BankRI exhibited a good record of serving the credit needs of highly economically disadvantaged areas, low-income individuals, and businesses with gross annual revenues of \$1 million or less in its AA, consistent with safe and sound operations. Examiners also noted that the bank used innovative or flexible lending practices in a safe and sound manner to address the credit needs of LMI individuals or geographies. Examiners found that BankRI was a leader in making community development loans. Examiners also found that a high percentage of BankRI's loans were made in the bank's AA.

With respect to the Investment Test, examiners found that BankRI made an adequate level of qualified community development investments, particularly investments not routinely provided by private investors, although rarely in a leadership position. Examiners also found that the bank demonstrated occasional use of innovative or complex qualified investments. Examiners characterized BankRI as having exhibited adequate responsiveness to credit and community development needs.

With respect to the Service Test, examiners determined that BankRI's service-delivery systems were accessible to geographies and individuals of different income levels in the bank's AA. Examiners noted that BankRI's record of opening and closing branches did not adversely affect the accessibility of the bank's delivery systems, particularly in LMI geographies and to LMI individuals, and that the bank's hours of operation did not vary in a way that inconvenienced the bank's AA, particularly LMI

geographies and individuals. Examiners also noted that BankRI provided a relatively high level of community development services.

CRA Performance of PCSB Bank

PCSB Bank was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the FDIC, as of January 19, 2021 (“PCSB Bank Evaluation”).³² PCSB Bank received “Low Satisfactory” ratings for both the Lending and Service Tests and a “High Satisfactory” for the Investment Test.³³

With respect to the Lending Test, examiners found that PCSB Bank’s lending levels reflected good responsiveness to the credit needs in the bank’s AA. Examiners also found that the geographic distribution of loans reflected adequate penetration throughout the bank’s AA and that the distribution of loans to retail borrowers of different income levels and businesses of different sizes was adequate, given the demographics of the AA. Examiners noted that PCSB Bank had a relatively high level of community development loans and that an adequate percentage of PCSB Bank’s loans were made in the bank’s AA. Examiners also noted that PCSB Bank used innovative and/or flexible lending practices to serve the credit needs of its AA.

With respect to the Investment Test, examiners found that PCSB Bank made a significant level of qualified community development investments. Examiners also found that the bank rarely used innovative and/or complex qualified investments.

³² The PCSB Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed home mortgage and small business loan data from January 1, 2018, through December 31, 2019. Examiners also reviewed community development activities from May 7, 2018, through January 19, 2021.

³³ The PCSB Bank Evaluation involved full-scope reviews of the bank’s activities in the bank’s sole AA, consisting of Putnam, Rockland, and Westchester counties in the New York-Newark-Jersey City, New York-New Jersey-Pennsylvania MSA, and Dutchess County in the Poughkeepsie-Newburgh-Middletown, New York MSA.

Examiners characterized PCSB Bank as having exhibited good responsiveness to credit and community economic development needs.

With respect to the Service Test, examiners determined that PCSB Bank's delivery systems were reasonably accessible to essentially all portions of the bank's AA, including LMI areas. Examiners noted that PCSB Bank's opening and closing of branches did not adversely affect the accessibility of delivery systems, particularly in LMI census tracts or to LMI individuals, and the bank's hours of operation did not vary in a way that inconvenienced certain portions of the bank's AA. Examiners also noted that PCSB Bank provided an adequate level of community development services.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the Reserve Bank, which supervises Brookline Bank and BankRI, and the FDIC as the primary federal regulator of PCSB Bank. The Board also considered the results of the most recent consumer compliance examinations of Brookline Bank, BankRI, and PCSB Bank, which included reviews of the banks' compliance management programs and their compliance with consumer protection laws and regulations, including fair lending.

The Board has taken this information, as well as the CRA performance records of Brookline Bank, BankRI, and PCSB Bank, into account in evaluating the proposal, including considering whether Brookline has the experience and resources to ensure that the pro forma organization would help meet the credit needs of the communities to be served by its subsidiary banks following consummation of the proposed transaction.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. This includes, for example, the combined organization's business model and intended marketing and outreach and existing and anticipated product and service offerings in the communities to be served by the organization; any additional plans the combined organization has for meeting the

needs of its communities following consummation; and any other information the Board deems relevant. Brookline represents that, following consummation of the proposal, none of PCSB Bank's existing products and services would be eliminated, and PCSB Bank's commercial and consumer customers also would have access to expanded technological services, including online wires, account aggregation, and Zelle payments, as well as enhanced access to Brookline's 1031 exchange services, foreign exchange services, and enhanced cash management services and support. Brookline further represents that, as a result of the transaction, PCSB Bank's commercial banking clients would have access to larger, more complex commercial loans and cash management products. Brookline asserts that consummation of the proposal would enhance the CRA loan products, programs, services, and investments offered by all of Brookline's bank subsidiaries, including PCSB Bank, due to the collective ability to pool resources.

Brookline represents that its subsidiary banks offer specialized lending and educational programs that assist LMI borrowers and small businesses in obtaining credit, including programs and services focused on financial literacy, first-time homebuyers, and underserved and underbanked communities. Brookline Bank and Bank RI offer incentives to first-time homebuyers through a reduction in the interest rate or the fees required at closing and also provide technical assistance to community development and similar organizations submitting Federal Home Loan Bank Affordable Housing Program applications. Brookline asserts that these programs and services would be offered to communities served by PCSB Bank.

Brookline represents that it provides support to community and community development groups to provide financial literacy and related training and first-time homebuyer education in LMI geographies. With respect to community development investments, Brookline represents that it is an active provider of equity in the affordable housing market. Brookline asserts that it would offer these services and community development investments to communities served by PCSB Bank.

Branch Closures

Physical branches remain important to many banking organizations' ability to meet the credit needs of the local communities in which they operate. When banking organizations combine, whether through acquisitions, mergers, or consolidations, the combination has the potential to increase or to reduce consumers' and small businesses' access to available credit and other banking services. Although the Board does not have the authority to prohibit a bank from closing a branch, the Board focuses on the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. In particular, the Board considers the effect of any closures, consolidations, or relocations on LMI communities.

Federal banking law provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal supervisory agency before a branch is closed.³⁴ In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.³⁵

Brookline represents that it does not anticipate that any existing branches of Brookline Bank, BankRI, or PCSB Bank would be closed, consolidated, or relocated in connection with the proposal.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of Brookline Bank, BankRI, and PCSB Bank under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory information provided by the Reserve Bank and the FDIC, information provided by

³⁴ See 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

³⁵ See, e.g., 12 CFR 228.24(d)(2).

Brookline, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Financial Stability Considerations

Section 3 of the BHC Act requires the Board to consider “the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system.”³⁶

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.³⁷ These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.³⁸

The Board’s experience has shown that proposals involving an acquisition of less than \$10 billion in total assets, or that result in a firm with less than \$100 billion in

³⁶ 12 U.S.C. § 1842(c)(7).

³⁷ Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

³⁸ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

total assets, generally are not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.³⁹

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target with less than \$10 billion in total assets and a pro forma organization with less than \$100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.⁴⁰ The pro forma organization would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

³⁹ See People's United Financial, Inc., FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

⁴⁰ Brookline and PCSB offer a range of retail and commercial banking products and services. Brookline has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.⁴¹ In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Brookline with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal. The Board's approval also is conditioned on receipt by Brookline of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is

⁴¹ The commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b); see also 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

The commenter also requested an extension of the comment period for the application. The commenter's request for additional time to comment did not identify circumstances that would warrant an extension of the public comment period for this proposal. Accordingly, the Board has determined not to extend the comment period.

extended for good cause by the Board or the Reserve Bank, acting under delegated authority.

By order of the Board of Governors,⁴² effective December 15, 2022.

Michele Taylor Fennell (signed)

Michele Taylor Fennell
Deputy Associate Secretary of the Board

⁴² Voting for this action: Chair Powell, Vice Chair Brainard, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook and Jefferson.