



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Division of Risk Management Supervision

November 13, 2017

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Board of Directors  
Slovak Savings Bank  
8700 Perry Highway  
Pittsburgh, Pennsylvania 15237

**RE: Notice of Intent to Convert and Interim Merger Application**

Dear Members of the Board:

The Federal Deposit Insurance Corporation (“FDIC”) reviewed the Notice of Intent to Convert (“Notice”), filed on behalf of Slovak Savings Bank, Pittsburgh, Pennsylvania (“Bank”), pursuant to the FDIC’s regulations at 12 C.F.R. sections 303.160 – 303.163 and 333.4, and other pertinent regulations. The Notice was filed in connection with the Bank’s Plan of Mutual Holding Company Reorganization and Minority Stock Issuance (“Plan”), whereby the Bank proposes to: (i) convert to a Pennsylvania-chartered stock bank; (ii) establish a top-tier Pennsylvania mutual holding company, SSB Bancorp, MHC; and (iii) establish a mid-tier Maryland stock holding company, SSB Bancorp, Inc. (Bancorp), which will own 100 percent of the Bank’s common stock.

Concurrently with the conversion, Bancorp intends to issue and offer for sale common stock on a priority basis to: (i) eligible account holders (depositors who had accounts at the Bank with aggregate balances of at least \$50.00 at the close of business on June 30, 2016); (ii) Bank’s tax-qualified employee benefit plans (including the employee stock ownership plan); (iii) supplemental eligible account holders (depositors who had accounts at the Bank with aggregate balances of at least \$50.00 at the close of business on September 30, 2017); and (iv) to the extent applicable, the local community (with a preference toward persons residing in Allegheny County, Pennsylvania, followed by other members of the general public) in a community offering and anyone in a syndicated offering. The FDIC has also reviewed the Bank Merger Act (“BMA”) application filed in connection with the reorganization.

The FDIC has relied on information provided in the Bank’s Notice and BMA application, the accompanying materials, and subsequent responses to information requests in reaching its decision. Based on the information provided and representations made, the FDIC poses no objection to the Notice, subject to the conditions (certain of which must be met on an ongoing basis) detailed in the enclosed Order and Basis approving the BMA application filed in connection with the reorganization.

Please provide documentation to the FDIC New York Regional Office (NYRO) to support satisfaction of the conditions in the Order and Basis. Also, please notify the NYRO in writing when the proposed transactions have been consummated. Should you have any questions, contact Case Manager Richard A. Smus at (917) 320-2559.

If an extension of the time limit in the Order and Basis is required, a letter requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to Regional Director John F. Vogel at 350 Fifth Avenue, Suite 1200, New York, New York 10118.

Sincerely,

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James C. Watkins  
Senior Deputy Director

cc: J. Daniel Moon, IV  
President and Chief Executive Officer  
Slovak Savings Bank  
8700 Perry Highway  
Pittsburgh, Pennsylvania 15237

Victor L. Cangelosi, Esq.  
Luse Gorman, PC  
5335 Wisconsin Avenue, N.W.  
Suite 780  
Washington, D.C. 20015-2035

Joseph A. Moretz  
Manager - Corporate Applications Division  
Commonwealth of Pennsylvania  
Department of Banking and Securities  
Market Square Plaza  
17 North Second Street, Suite 1300  
Harrisburg, Pennsylvania 17101

Thomas A. Hendricks, JD  
Senior Examiner, Applications and Enforcement Section  
Federal Reserve Bank of Cleveland  
1455 East Sixth Street, P.O. Box 6387  
Cleveland, Ohio 44141-1387

## FEDERAL DEPOSIT INSURANCE CORPORATION

Slovak Savings Bank  
Pittsburgh, Allegheny County, Pennsylvania

Application for Consent to Merge

### **ORDER AND BASIS FOR CORPORATION APPROVAL**

Pursuant to Section 18(c) of the Federal Deposit Insurance (“FDI”) Act, Slovak Savings Bank (“Mutual Bank”), Pittsburgh, Pennsylvania, currently a state-chartered, mutually-owned Deposit Insurance Fund (“DIF”) member with total assets of \$158,313,000 and total deposits of \$119,319,000 as of September 30, 2017, filed an application (“Application”) for the FDIC’s consent to merge with SSB Interim II, Pittsburgh, Pennsylvania, a proposed new interim state-chartered stock savings bank. The Application was filed in conjunction with a Notice of Intent to Convert (“Notice”) pursuant to the FDIC’s regulations at 12 C.F.R. sections 303.160 – 303.163 and 333.4, and other pertinent regulations.

The proposed transaction is to effect the Mutual Bank’s reorganization pursuant to the Mutual Bank’s Plan of Mutual Holding Company Reorganization and Minority Stock Issuance (the “Plan”), which, solely to facilitate such an undertaking, provides for the following:

- (i) Mutual Bank will organize a Pennsylvania-chartered interim stock savings bank as a wholly owned subsidiary (“SSB Interim I”);
- (ii) SSB Interim I will organize a Pennsylvania-chartered interim stock savings bank as a wholly owned subsidiary (“SSB Interim II”);
- (iii) SSB Interim I will organize a Maryland stock corporation to be known as SSB Bancorp, Inc. (“Stock Holding Company”) as a wholly-owned subsidiary;
- (iv) Mutual Bank will convert to stock form by exchanging its mutual savings bank charter for a stock savings bank charter (“Bank”) and thereby become the Bank and will transfer all of its assets and liabilities to the Bank as successor to the Bank, and SSB Interim I will become the wholly-owned subsidiary of the Bank;
- (v) The shares of common stock of SSB Interim I will be cancelled, and SSB Interim I will exchange its articles of incorporation for Pennsylvania mutual holding company articles of incorporation to become Mutual Holding Company (a Pennsylvania-chartered mutual holding company to be known as SSB Bancorp, MHC);
- (vi) Simultaneously with steps (iv) and (v), SSB Interim II will merge with and into the Bank (“Interim Merger”), with the Bank as the resulting subsidiary of Mutual Holding Company, and all of the initially issued stock of the Bank will be transferred to Mutual Holding Company in exchange for liquidation interests in Mutual Holding Company; and

- (vii) The Mutual Holding Company will contribute the capital stock of the Bank to the Stock Holding Company, and the Bank will become a wholly-owned subsidiary of the Stock Holding Company.

Upon consummation of the proposed transaction, the deposits of the Bank will be insured by the DIF. The Bank will be a stock bank that is wholly owned by SSB Bancorp, Inc., which in turn is majority-owned by SSB Bancorp, MHC.

Following the consummation of the proposed transaction, the Bank will operate the same banking business with the same management at the same locations now being served by the Bank, including its main office at 2470 California Avenue, Pittsburgh, Pennsylvania. The proposed transaction will not alter the competitive structure of banking in the market served by the Bank.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of the proponent, disclosed no inconsistencies with the purposes of the CRA. The Bank is expected to meet the credit needs of its community, consistent with the safe and sound operation of the institution.

In connection with the Application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent bank and the resultant bank, the convenience and needs of the community to be served, and the effect of the proposed transaction on competition. The FDIC has also taken into consideration the effectiveness of the insured depository institution involved in the proposed merger transaction in combating money-laundering activities, and the risk posed by the transaction to the stability of the U.S. banking or financial system.

Having found favorably on all statutory factors, the FDIC hereby approves the Application, subject to the following conditions, some of which are continuing in nature:

1. The Bank shall provide written evidence that the Plan was approved by the affirmative vote of at least a majority of the votes eligible to be cast by the Bank's depositors at a special meeting.
2. The Bank shall provide written evidence that all necessary final approvals regarding the proposed transactions have been obtained from the appropriate Federal and state authorities.
3. Except for the issuance of the Bank's stock to SSB Bancorp, MHC and the contribution of that stock to SSB Bancorp, Inc., no shares of the Bank's stock shall be sold, transferred, or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to, and non-objection is received from, the FDIC New York Regional Director.
4. Prior to a sale, transfer or other disposition of any shares of SSB Bancorp, Inc. by SSB Bancorp, MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of SSB Bancorp, MHC, to stock form, the Bank shall provide written notification to the FDIC New York Regional Director and provide the FDIC with copies of all documents

filed with the state and Federal banking and/or securities regulators in connection with any sale, transfer, disposition, or conversion.

5. Any change in proposed senior executive officers or the board of trustees, prior to the consummation of the proposed transactions, will render this approval null and void unless the Bank provides written notice to, and receives written non-objection from, the FDIC New York Regional Director prior to the consummation of the proposed transactions.
6. The Bank shall separate the Chief Executive Officer and Chief Financial Officer (“CFO”) positions and create an independent CFO position. The Bank’s Board of Trustees must approve the description of the new CFO position and a plan outlining the steps the Board and management will take to ensure that: (i) the CFO responsibilities are appropriately performed during any transition period; (ii) the CFO duties are transferred to a qualified individual during any transition period and on a permanent basis; and (iii) the Board and management will properly evaluate the performance and qualifications of any individual selected as the CFO. The Bank shall fill the independent CFO position and transfer all current CFO duties to the new CFO position within nine months of the date of this approval. The Bank shall provide the New York Regional Director with a copy of the Bank’s plan.
7. During the three year period after the close of the proposed transaction, the Bank shall operate within the parameters set forth in the Business Plan submitted with the Notice (Business Plan) and must provide at least 60 days prior written notice to and receive written non-objection from the FDIC New York Regional Director prior to implementing any proposed material deviation or material change from the Business Plan (including, but not limited to, any merger, acquisition or business combination) involving the Bank.
8. The Bank will provide at least 60 days prior written notice to and obtain written non-objection from the FDIC New York Regional Director prior to implementing any policy or executing any agreement relating to the allocation and sharing of costs with the Bank.
9. The Bank’s conversion into a stock bank and merger with the interim bank shall only be consummated on the same date as the consummation of all of the other steps of the Plan, as proposed in the Notice and Application submitted to the FDIC.
10. The Bank shall submit copies of all final disclosure materials to the FDIC’s Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429.
11. The Bank shall advise the FDIC of the results of the conversion offering (and the community offering and syndicated offering, as applicable), and deliver an updated appraisal that:
  - a. Takes the results of the conversion offering into account,
  - b. Discusses any material events or changes during the subscription period, and
  - c. Explains any securities purchase orders that may have been rejected.

12. During the three-year period after the close of the conversion offering, the Bank shall not make any distributions of capital to SSB Bancorp, Inc., including cash dividends or any other retirement or return of capital, except in accordance with applicable laws and regulations, without obtaining the prior written approval of the FDIC New York Regional Director, if such action would cause the Bank's leverage and total capital ratios to fall below 8.0 percent and 12.0 percent, respectively.
13. During the one-year period after the close of the conversion offering, SSB Bancorp, Inc. will not make any distributions of capital to shareholders, including cash dividends or any other retirement or return of capital, except with the written approval of the Federal Reserve Bank of Cleveland.
14. During the one-year period after the close of the conversion offering, the Bank shall provide at least 60 days prior written notice to the FDIC New York Regional Director of any repurchase of shares and include copies of all documents filed with other regulators.
15. During the three-year period after the close of the conversion offering, shares issued to directors and executive officers ("insiders") in the conversion offering are restricted from resale without the prior written approval of the FDIC New York Regional Director, except that: (1) in the event of the death of an insider, the successor in interest may sell the shares; (2) if the insider is no longer employed by or a trustee or director of the Bank or SSB Bancorp, Inc., he or she may sell the shares; and (3) the insider may transfer the shares to his or her lineal descendant(s) or spouse, or into a trust or retirement vehicle for the benefit of the insider or such descendants and spouse.
16. During the three-year period after the close of the conversion offering, the Bank and SSB Bancorp, Inc. shall ensure that any stock option or recognition and retention plan (collectively, "Stock Benefit Plans") established or maintained during such period shall include provisions that comport with the following:
  - a. The duration of rights granted under the Stock Benefit Plans must be limited, and in no event shall the exercise period exceed ten years;
  - b. In accordance with applicable regulations and in order to encourage the recipient to remain involved in the Bank, if the Stock Benefit Plans are adopted by shareholders within the first year after the close of the conversion offering, the stock rights must vest on an equal basis over a period of not less than five years. If the Stock Benefit Plans are adopted more than one year but less than three years after the close of the conversion offering, the stock rights must vest on an equal basis over a period of not less than three years following establishment of the Stock Benefit Plans;
  - c. Stock rights granted must not be transferable by Stock Benefit Plan participants;
  - d. The exercise price of stock rights must not be less than the fair market value of the stock at the time that the rights are granted;
  - e. Stock rights granted under the Stock Benefit Plans must be exercised or expire within a reasonable time after termination or separation as an active officer, employee, or director; and

- f. Each Stock Benefit Plans must contain a provision allowing the primary Federal regulator to direct the Bank or SSB Bancorp, Inc. to require Stock Benefit Plan participants to exercise or forfeit their stock rights.
17. The proposed transaction may not be consummated later than six months after the date of this Order unless such period is extended for good cause by the FDIC.
18. The Bank shall notify the FDIC New York Regional Director as soon as it becomes aware of any material change in the facts and circumstances prior to the consummation of the proposed transactions.
19. Until the proposed transactions are consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to the delegated authority of the FDIC Board of Directors.

Dated at Washington, D.C. this 13<sup>th</sup> day of November, 2017.

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James C. Watkins  
Senior Deputy Director  
Division of Risk Management Supervision