



Federal Deposit Insurance Corporation

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

Division of Risk Management Supervision

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 13, 2019

Board of Directors
Pioneer Savings Bank
652 Albany Shaker Road
Albany, New York 12211

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 Pioneer Savings Bank, Albany, New York (“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 New York-chartered stock bank; (ii) establish a mid-tier Maryland stock holding company, Pioneer Bancorp, Inc. (“Bancorp”), which will own 100 percent of the Bank’s common stock; and (iii) establish a top-tier New York mutual holding company, Pioneer Bancorp, MHC, which will own 55 percent of Bancorp’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 \$100.00 at the close of business on December 31, 2017; (ii) Bank’s tax-qualified employee benefit plans (including the employee stock ownership plan and 401(k) plan); (iii) supplemental eligible account holders (depositors who had accounts at the Bank with aggregate balances of at least \$100.00 at the close of business on March 31, 2019); other depositors (depositors who had accounts at the Bank with aggregate balances of at least \$100.00 at the close of business on May 10, 2019; and, (v) the local community, the extent applicable, in a community offering (with a preference towards persons residing in the New York Counties of Albany, Greene, Rensselaer, Saratoga, Schenectady, and Warren). Bancorp also intends to establish Pioneer Bank Charitable Foundation and contribute 2 percent of Bancorp common stock sold in the offering, plus up to \$250,000. 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 Notice.

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 Colum Kilgallen at (917) 320-2742.

If an extension of the time limit in the Order and Basis is required, a letter requesting a specific extension, 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,

/s/

James C. Watkins
Senior Deputy Director

Enclosure

cc: Thomas L. Amell
President and Chief Executive Officer
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FEDERAL DEPOSIT INSURANCE CORPORATION

Pioneer Savings Bank
Albany, Albany County, New York

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) of the Federal Deposit Insurance (“FDI”) Act, Pioneer Savings Bank (“Savings Bank”), Albany New York, currently a state-chartered, mutually-owned Deposit Insurance Fund (“DIF”) member with total assets of \$1,385,542,000 and total deposits of \$1,247,384,000 as of March 31, 2019, filed an application (“Application”) for the FDIC’s consent to merge with Pioneer Interim Bank II, Albany, New York, 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 Savings Bank’s reorganization from a mutual savings bank to a mutual holding company pursuant to the Savings Bank’s Plan of Mutual Holding Company Reorganization and Minority Stock Issuance (the “Plan of Reorganization”), which, solely to facilitate such an undertaking, provides for the following:

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

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- (vii) Mutual Holding Company will contribute the capital stock of the Bank to Stock Holding Company, and the Bank will become a wholly-owned subsidiary of 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 Pioneer Bancorp, Inc., which in turn is majority-owned by Pioneer 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 652 Albany Shaker Road, Albany, New York. 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 continue 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 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:

- The Bank shall provide written evidence that the Plan was approved by the affirmative vote of a majority of the votes eligible to be cast by the Bank's depositors at the special meeting.
- 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.
- Except for the issuance of the Bank's stock to Pioneer Bancorp MHC and the contribution of that stock to Pioneer 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 or the Foundation) unless prior notice is provided to, and non-objection is received from, the FDIC New York Regional Director.
- Prior to the sale, transfer or other disposition of any shares of Pioneer Bancorp, Inc. by Pioneer Bancorp MHC, to any person or prior to a conversion of Pioneer 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 such sale, transfer, disposition, or conversion.

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- Except as previously disclosed by the Bank to the FDIC, 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 of the change(s) to, and receives written non-objection from, the FDIC New York Regional Director prior to the consummation of the proposed transactions.
- The Bank shall submit to the New York Regional Director copies of any employment, change in control, or similar compensation arrangements entered into pursuant to its stock purchase agreement with Jaeger and Flynn Associates, Inc. within 60 days of execution.
- 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.
- The Bank's conversion into a stock bank and merger with Pioneer Interim Bank II 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 Merger Application submitted to the FDIC.
- 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.
- 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 takes the results of the conversion offering into account; discusses any material events or changes during the subscription period; and explains any securities purchase orders that have been rejected (including the reason(s) for rejection.)
- The Foundation's Board of Directors shall commit to the following:
 - a. Pioneer Bancorp, Inc. common stock held by the Foundation will be voted in the same ratio as the shares voted on each proposal considered by the shareholders, excluding the shares voted by the MHC;
 - b. The Foundation will be subject to examination by the FDIC and must comply with all supervisory directives imposed by the FDIC;
 - c. The Foundation will operate in accordance with written policies adopted by its Board of Directors, including the adoption of a conflict of interest policy acceptable to the FDIC;
 - d. The Foundation will not engage in self-dealing, and must comply with all laws necessary to maintain its tax-exempt status under the Internal Revenue Code;

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- e. The Foundation will provide to the FDIC New York Regional Director a proposed operating plan prior to completion of the conversion offering, and within six months immediately following the date of the conversion offering, a three-year operating plan for the Foundation that contains pro forma financial statements, including a balance sheet and income statement; and
- f. Following completion of the conversion offering, the Foundation will provide to the FDIC New York Regional Office annual reports describing grants made and grant recipients.
- The proposed transactions may not be consummated later than six months after the date of this Order unless such period is extended in writing by the FDIC New York Regional Director.
 - 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.
 - 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 day of MAY, 2019.

/s/

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