



**Corporate Decision #2015-05  
April 2015**

March 31, 2015

Victor L. Cangelosi, Esq.  
Luse Gorman, PC  
5335 Wisconsin Avenue NW, Suite 780  
Washington, DC 20015

Re: Interagency Bank Merger Act Application by Town Square Bank, Ashland, Kentucky to merge Commonwealth Bank, F.S.B., Mt. Sterling, Kentucky into Town Square Bank Charter No. 704246, OCC Control No.: R2-2014-089

Dear Mr. Cangelosi:

The Office of the Comptroller of the Currency (OCC) hereby approves the application filed by Town Square Bank (Town Square), Ashland, Kentucky, for the merger of Commonwealth Bank, F.S.B. (Commonwealth) with and into Town Square (Application). This approval is granted after a thorough evaluation of the Application, other materials you have supplied, and other information available to the OCC, including representations made in the Application by representatives of Town Square and Commonwealth during the application process.

**Background**

Town Square is a federal stock savings association headquartered in Ashland, Kentucky. Town Square is a wholly owned subsidiary of Poage Bankshares, Inc. (Poage), Ashland, Kentucky. Poage is a Maryland-chartered corporation and a savings and loan holding company under the Home Owners' Loan Act. Commonwealth is a federal mutual savings association headquartered in Mt. Sterling, Kentucky. In the proposed transaction, Commonwealth will convert to a federal stock savings association and will be immediately acquired by Poage and merged with and into Town Square.

**The Bank Merger Act and the Community Reinvestment Act**

The Application was filed under the Bank Merger Act (BMA) and OCC regulations, and seeks the OCC's approval for the merger of Commonwealth into Town Square. See 12 U.S.C. § 1828(c) and 12 C.F.R. §§ 152.13 and 163.22(a). The OCC must also consider the record of compliance with the Community Reinvestment Act (CRA) of each constituent in a merger transaction. 12 U.S.C. §§ 2903(a)(2) and 2902(3)(E); 12 C.F.R. § 195.29(a)(3).

The OCC has reviewed the proposed transaction under the criteria of the BMA and applicable OCC regulations and policies. Under the BMA, the OCC generally may not approve a transaction that would substantially lessen competition. The BMA also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served. 12 U.S.C. § 1828(c)(5). The OCC must also consider the effectiveness of any insured depository institution involved in the transaction in combating money laundering activities. 12 U.S.C. § 1828(c)(11). In addition, the OCC may not approve an interstate merger transaction under the BMA if the resulting insured depository (including all insured depository institutions which are affiliates of the resulting depository institution), upon consummation of the transaction, would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States. 12 U.S.C. § 1828(c)(13). Furthermore, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 U.S.C. § 1828(c)(5). The OCC considered these factors and found them consistent with approval.

The OCC considered the proposed transaction under the criteria set forth in 12 U.S.C. § 1828(c) and 12 C.F.R. §§ 152.13 and 163.22(d), which requires the OCC to consider: (i) the impact of the transaction on a federal savings association's capital level; (ii) the federal savings association's financial and managerial resources; (iii) the future prospects of the federal savings association; (iv) the convenience and needs of the communities to be served; (v) the conformity of the transaction to applicable law, regulation, and supervisory policies; and (vi) the fairness of and disclosure concerning the transaction. The OCC considered these factors and found them consistent with approval.

The CRA requires the OCC to take into account the applicant's record of helping to meet the credit needs of the community, including low- and-moderate-income (LMI) neighborhoods, when evaluating certain applications, including transactions that are subject to the BMA. See 12 U.S.C. § 2903; 12 C.F.R. § 195.29. The OCC considers the CRA performance evaluation of each institution involved in the transaction. A review of the record of these institutions and other information available to the OCC as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of their communities, including LMI neighborhoods, is less than satisfactory.

### **Consummation Guidance**

This approval is granted based on our understanding that other applicable regulatory approvals, non-objections or waivers with respect to the proposed transaction will have been received prior to consummation of the transaction.

The merger must be consummated no earlier than 15 calendar days and no later than 120 calendar days from the date of this approval letter unless the OCC grants an extension of this time period for good cause.

On the business day prior to the date of the consummation of the transaction, the chief financial officers of Town Square and Commonwealth must certify in writing to the Licensing Analyst that no material adverse events or material adverse changes have occurred with respect to the financial condition or operation of their respective institutions as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of Town Square, Commonwealth, or the OCC since the date of the financial statements submitted with the Application, Town Square must not consummate the transaction unless the information is presented to the Deputy Comptroller for Licensing (Deputy Comptroller) and the Deputy Comptroller provides written non-objection to consummation of the transaction.

In addition, Town Square must submit the following information to the OCC Northeastern District Licensing division (LIC/NE) within the timeframe noted:

- No later than five calendar days after the date of consummation of the transaction, Town Square must file a certification stating the effective date of the transaction and that the transaction has been consummated in accordance with all applicable laws and regulations, the Application, and this letter.
- No later than 30 calendar days after the date of consummation of the transaction, Town Square shall advise each account holder whose withdrawable accounts in the resulting savings association would increase above \$250,000, or whose noninsured deposits would increase as a result of the transaction, of the effect of the transaction on insurance coverage. Promptly thereafter, Town Square must submit a copy of the notice.
- Copies of all regulatory approvals not previously submitted no later than five calendar days after the date of consummation of the transaction.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on Town Square's representations, submissions and information available to the OCC as of this date. The OCC may modify, suspend or rescind this decision if a material change in information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A separate letter is enclosed requesting your feedback on how the OCC handled your application. We would appreciate your response so we may continue to improve our service.

Victor L. Cangelosi, Esq.  
Re: Town Square Bank, Ashland, Kentucky  
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If you have any questions please contact Licensing Analyst Laurie Powell at (917) 344-3432 or by e-mail at [laurie.powell@occ.treas.gov](mailto:laurie.powell@occ.treas.gov).

Sincerely,

*signed*

Stephen A. Lybarger  
Deputy Comptroller for Licensing