



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Division of Risk Management Supervision

July 13, 2023

VIA SECURE ELECTRONIC MAIL

John J. Gorman, Esq.
Luse Gorman, PC
5335 Wisconsin Avenue, N.W., Suite 780
Washington, D.C. 20015

Subject: Notice of Intent to Convert from Mutual to Stock Ownership
Somerset Savings Bank, SLA, Bound Brook, New Jersey

Dear Mr. Gorman:

The Federal Deposit Insurance Corporation ("FDIC") reviewed the Notice of Intent to Convert from Mutual to Stock Ownership ("Notice"), filed on behalf of Somerset Savings Bank, SLA, Bound Brook, New Jersey ("Bank"), pursuant to the application requirements of 12 C.F.R. Part 192 of the Office of the Comptroller of the Currency regulations. The Notice was filed in connection with Bank's Plan of Conversion ("Plan"), whereby Bank proposes to convert from a New Jersey chartered mutual savings association to a New Jersey chartered stock savings association ("Conversion"). In connection with the Conversion, Bank has formed SR Bancorp, Inc. ("Bancorp"), a Maryland corporation, which upon completion of the Conversion will own 100 percent of Bank's common stock.

Concurrent with the Conversion, Bancorp intends to issue shares of common stock in a subscription offering and, to the extent applicable, a community offering and syndicated offering. The offering of the shares of common stock will be made on a priority basis to: (i) eligible account holders (depositors that had accounts at Bank with aggregate balances of at least \$50 on June 30, 2021); (ii) Bank's tax-qualified employee stock benefit plans (including the employee stock ownership plan); (iii) supplemental eligible account holders (depositors with accounts at Bank with aggregate balances of at least \$50 on the supplemental eligibility record date as defined in the Plan); (iv) other members as of a voting record date; and (v) to the extent applicable, to the community (with priority to persons living in Hunterdon, Middlesex and Somerset Counties, New Jersey) in a community offering and to anyone in a syndicated offering (collectively, "Conversion Offering").

Bancorp also intends to establish Somerset Regal Bank Charitable Foundation, Inc. ("Foundation") with contributions of cash and common stock. The cash contribution will be equal to 1.0 percent of the aggregate value of common stock sold in the Conversion Offering. The stock contribution will be equal to 5.0 percent of the shares of common stock sold in the Conversion Offering. Based on the offering price of \$10.00 per share and 8 million shares of common stock to be sold in the Conversion Offering at the midpoint, it is assumed that the Foundation will be funded with cash equal to \$800 thousand and 400 thousand shares equating to a pro forma market value of \$4.0 million.

The FDIC has relied on information provided in Bank's Application, the accompanying materials, and subsequent responses to information requests in reaching its decision. Based on the information provided and representations made, the FDIC hereby approves the Notice, subject to the following conditions:

The following conditions are proposed in connection with the conversion transaction:

1. Somerset Savings Bank SLA (Bank) shall provide written evidence that the Plan of Conversion, as amended, was approved by the affirmative vote of at least majority of the votes eligible to be cast by the Bank's depositors at the special meeting.
2. The Bank, SR Bancorp, Inc. (Holding Company) and the charitable foundation established in connection with the conversion, shall comply with all applicable requirements of the conversion regulations of the Office of the Comptroller of the Currency at 12 CFR Part 192, and shall provide all required documentation related to the conversion and establishment of the foundation to the FDIC New York Regional Director.
3. Each component step of the proposed transactions, including the conversion, Bank merger, Holding Company merger and dividend payment to the Holding Company, form an integrated transaction and no part of the transaction may be completed without the other component parts; any deviations shall require the prior written consent of the FDIC New York Regional Director.
4. The Bank shall provide written evidence to the FDIC New York Regional Director that all necessary final approvals regarding the proposed transactions have been obtained from the appropriate Federal and state authorities.
5. The Bank shall not pay the proposed dividend to the Holding Company unless it is paid simultaneously with the consummation of the acquisition and merger of Regal Bank into Bank.
6. During the three year period after the closing of the conversion offering, the Bank shall operate within the parameters set forth in the Business Plan submitted on May 26, 2023, including the revised pro forma financial statements submitted on June 21, 2023, 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 from or material change to the Business Plan.
7. The Bank shall advise the FDIC New York Regional Director of the final results of the conversion offering, and deliver an updated appraisal that takes the results of the conversion offering into account; describes 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).

8. The Bank shall immediately notify the FDIC New York Regional Director should it become aware that Regal Bancorp, Inc. shareholders have collectively subscribed to purchase ten percent or more of the conversion offering shares.
9. The Bank shall notify the FDIC New York Regional Director of any changes in senior executive officers or board members that occur prior to consummation of the proposed transactions, and shall inform the FDIC New York Regional Director as soon as practicable of the identity of the two additional directors joining the Bank's board from Regal Bank.
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 notify the FDIC New York Regional Director as soon as it becomes aware of any material change in the facts and circumstances from those represented to the FDIC, including any changes to the purchase limitations in the conversion offering, prior to the consummation of the proposed transactions.
12. 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.

Please provide documentation to support satisfaction of the conditions to the FDIC New York Regional Office. Also, please notify the FDIC New York Regional Office in writing when the proposed transaction has been consummated. Correspondence may be addressed to Frank R. Hughes, Regional Director, New York Regional Office, 350 Fifth Avenue, Suite 1200, New York, New York 10118-0110. Should you have any questions, please contact Case Manager Kalem Kopf at

or

Sincerely,

PATRICIA
COLOHAN

Digitally signed by
PATRICIA COLOHAN
Date: 2023.07.13 16:31:33
-04'00'

Patricia A. Colohan
Associate Director

cc: Board of Directors, Somerset Savings Bank, SLA
William P. Taylor, Chairman and Chief Executive Officer, Somerset Savings Bank, SLA
New Jersey Department of Banking and Insurance
Federal Reserve Bank of New York
Scott A. Brown, Esq., Luse Gorman, PC
Marc P. Levy, Esq., Luse Gorman, PC