



February 12, 2016

**CERTIFIED – RETURN RECEIPT REQUESTED**

Easthampton Savings Bank  
36 Main Street  
Easthampton, Massachusetts 01027

Dear Members of the Board:

The FDIC has received Hometown Bank's October 21, 2015, prior notice of the proposed mergers of Hometown Community Bancorp, MHC with and into ESB Bancorp, MHC and Hometown Community Bancorp, Inc., with and into ESB Bancorp, Inc. In connection with these transactions, ESB Bancorp, MHC will operate under the name Hometown Financial Group, MHC, and ESB Bancorp, Inc., will operate under the name Hometown Financial Group, Inc. Enclosed is our Modified Order and Basis for Corporation Approval (Order), reflecting the new names of Easthampton Savings Bank's stock and mutual holding companies. Our approval is subject to the conditions stated in the Order, some of which must be met on an ongoing basis.

Please notify the Boston Area Office in writing when the proposed transaction has been consummated.

Sincerely,

/s/

James C. Watkins  
Senior Deputy Director

Enclosure

## FEDERAL DEPOSIT INSURANCE CORPORATION

Easthampton Savings Bank  
Easthampton, Hampshire County, Massachusetts

Application for Federal Deposit Insurance and Consent to Merge

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

On June 9, 2008, pursuant to Section 5 and Section 18(c) and other provisions of the Federal Deposit Insurance (FDI) Act, Easthampton Savings Bank, Easthampton, Massachusetts (Mutual Institution), a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of \$763,186,000 and total deposits of \$592,024,000 as of March 31, 2008, filed an application for the FDIC's consent to merge with Easthampton Interim Subsidiary Bank, Easthampton, Massachusetts, a then proposed new interim, state-chartered stock savings bank. Applications were filed for Federal deposit insurance for Easthampton Interim Mutual Bank (a de novo mutual savings bank), which was reorganized into a mutual holding company under the name of ESB Bancorp, MHC, and Easthampton Interim Subsidiary Bank. The FDIC approved the Mutual institution's applications for Federal deposit insurance and consent to merge in an Order and Basis for Corporation Approval (2008 Order) on August 11, 2008.

In 2016, ESB Bancorp, MHC will merge with Hometown Community Bancorp, MHC, and ESB Bancorp, Inc. will merge with Hometown Community Bancorp, Inc. The resultant entities will be named Hometown Financial Group, MHC and Hometown Financial Group, Inc. Consequently, Conditions One through Three of the 2008 Order are modified, as indicated below, solely to substitute the names of Hometown Financial Group, MHC and Hometown Financial Group, Inc. Conditions Four through Six of the 2008 Order are restated below and remain in effect as of the date of the 2008 Order.

The transaction is to effect the Mutual Institution's plan of reorganization which, solely to facilitate such undertaking, provides for:

- Mutual Institution to organize a new *de novo* mutual savings bank under Massachusetts law to be known as Easthampton Interim Mutual Bank.
- Easthampton Interim Mutual Bank to reorganize into a mutual holding company to be known as ESB Bancorp, MHC.
- ESB Bancorp, MHC to establish a wholly-owned Massachusetts interim stock bank subsidiary to be known as Easthampton Interim Subsidiary Bank.
- ESB Bancorp, MHC to establish a Massachusetts stock corporation to be known as ESB Bancorp, Inc.
- Mutual Institution to immediately merge with and into Easthampton Interim Subsidiary Bank, under the name of Easthampton Savings Bank, but with the charter of the

Easthampton Interim Subsidiary Bank surviving (Resultant Bank or Easthampton Savings Bank).

- ESB Bancorp, MHC to immediately thereafter contribute 100% of the shares of the Resultant Bank to ESB Bancorp, Inc.

Upon consummation of the reorganization, the deposits of the Easthampton Savings Bank will continue to be insured under the DIF. On the effective date of the reorganization, Easthampton Savings Bank will be a stock bank that is wholly owned by ESB Bancorp, Inc., which will be wholly owned by ESB Bancorp, MHC. Applications for the establishment of ESB Bancorp, MHC and ESB Bancorp, Inc. have been approved by the Board of Governors of the Federal Reserve System. Also, the Commonwealth of Massachusetts has granted Easthampton Savings Bank the authority to conduct a banking business and approved the establishment and operation of a stock savings bank. Following consummation of the merger, Easthampton Savings Bank will operate the same banking business, with the same management, at the same locations now being served by the Mutual Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Institution. Easthampton Savings Bank's main office will continue to be located at 36 Main Street, Easthampton, Massachusetts.

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. Easthampton Savings Bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

In connection with the merger application, the FDIC has taken into consideration the financial and managerial resources and prospects of the proposed banks and the Resultant Bank, the convenience and needs of the community to be served, and the competitive nature of the proposed transaction. The FDIC has also taken into consideration the effectiveness of the insured depository institutions involved in the proposed merger transaction in combating money-laundering activities.

Having found favorably on all statutory factors, it is the FDIC's judgment that the application should be and is hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That, except for the proposed transfer of stock to Hometown Financial Group, MHC and the contribution of that stock by Hometown Financial Group, MHC to Hometown Financial Group, Inc., no shares of the stock of Easthampton Savings Bank 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;
2. That, prior to a sale, transfer or other disposition of any shares of Hometown Financial Group, Inc. by Hometown Financial Group, MHC, to any person (including any

Employee Stock Ownership Plan) or a conversion of Hometown Financial Group, MHC, to stock form, Easthampton Savings Bank will provide written notification to the FDIC 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;

3. That, should any shares of stock of Easthampton Savings Bank or Hometown Financial Group, Inc. be issued to persons other than Hometown Financial Group, Inc. and Hometown Financial Group, MHC, any dividends waived by Hometown Financial Group, MHC must be retained by Hometown Financial Group, Inc. or Easthampton Savings Bank and segregated, earmarked or otherwise identified on its books and records; such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of Hometown Financial Group, MHC to stock form; such amounts shall not be available for payment to or the value thereof transferred to minority shareholders, by any means including through dividend payments or at liquidation;
4. That, any change in proposed management, including the board of directors, will render this approval null and void unless such proposal is approved by the FDIC prior to the consummation of the proposed transaction;
5. That, the transaction shall not be consummated sooner than fifteen calendar days after the date of this Order nor later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and
6. That, until the proposed Transaction is 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 12<sup>th</sup> day of February, 2016.

/s/

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