



COMMONWEALTH OF MASSACHUSETTS

Division of Banks

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**DECISION
RELATIVE TO THE MERGER OF
COLONIAL FEDERAL SAVINGS BANK, QUINCY, MASSACHUSETTS
WITH AND INTO
NORTH SHORE BANK, A CO-OPERATIVE BANK, PEABODY, MASSACHUSETTS**

North Shore Bank, a Co-Operative Bank (North Shore Bank), Peabody, Massachusetts has applied to the Division of Banks (Division) for authority to merge with Colonial Federal Savings Bank, Quincy, Massachusetts pursuant to the provisions of Massachusetts General Laws chapter 167I, section 3. Under the terms of an Agreement and Plan of Merger dated May 20, 2025 (Merger Agreement), Colonial Federal Savings Bank will merge with and into North Shore Bank (Bank Merger) under the charter, by-laws, and name of North Shore Bank (Continuing Institution). The main office of North Shore Bank will become the main office of the Continuing Institution after consummation of the proposed merger, and the banking offices of Colonial Federal Savings Bank will be retained as branch offices of the Continuing Institution. The merger application was filed in connection with a multi-step transaction whereby 15 Beach, MHC, the mutual holding company for Colonial Federal Savings Bank, will merge with and into Hometown Financial Group, MHC, the mutual holding company for North Shore Bank (MHC Merger). Immediately following the MHC Merger, Hometown Financial Acquisition Corp. II will merge with and into CFSB Bancorp, Inc., with CFSB Bancorp, Inc. as the surviving entity (Mid-Tier Merger Step-1). Immediately following Mid-Tier Merger 1, CFSB Bancorp, Inc. will merge with and into Hometown Financial Group, Inc., with Hometown Financial Group Inc. as the surviving entity (Mid-Tier Merger Step-2). Together, the MHC Merger, the Mid-Tier Merger Step-1, the Mid-Tier Merger Step-2, and the Bank Merger will constitute the proposed transaction (Proposed Transaction).

Legal and Procedural Requirements

Notice of North Shore Bank's application was posted and published as directed by the Division thereby affording opportunity for the public to submit comments. The period for filing comments has expired, and one comment was received. The Division considered the issue raised and determined that the response letter from the law firm representing North Shore Bank satisfactorily addressed the submitted comment. The Division reviewed the application and supplementary materials submitted by North Shore Bank in accordance with applicable law, including the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage, as well as "net new benefits," will be promoted by approval of the Proposed Transaction. The Division also considered both banks' records of performance under the Community Reinvestment Act (CRA) as well as financial and managerial factors.

The merger of Hometown Financial Group, MHC and 15 Beach, MHC will be completed according to the authority set forth in Massachusetts General Laws chapter 167H, section 7. Pursuant to Massachusetts General Laws chapter 167A, section 3, because 15 Beach, MHC will merge with and into Hometown Financial Group, MHC simultaneously with the merger of the respective subsidiary banks and such subsidiary bank merger requires the approval of the Commissioner of Banks, an application to the Commonwealth's Board of Bank Incorporation was not required to complete this related holding company transaction. However, in reviewing the Proposed Transaction, the Division must receive notice from the Massachusetts Housing Partnership Fund (MHPF) that satisfactory arrangements have been made consistent with Massachusetts General Laws chapter 167A, section 4 and the MHPF's affordable housing loan programs. The Division received notice from the MHPF that satisfactory arrangements have been made for this transaction in a letter dated September 29, 2025. In addition, the Depositors Insurance Fund (DIF) confirmed by letter dated July 29, 2025, that satisfactory arrangements have been made relative to providing excess deposit insurance for the deposits of the Continuing Institution.

The Parties

Hometown Financial Group, MHC, Easthampton, Massachusetts (Hometown MHC), is a Massachusetts mutual holding company. Hometown MHC is the holding company for Hometown Financial Group, Inc.

Hometown Financial Group, Inc., Easthampton, Massachusetts (Hometown Financial), is a Massachusetts corporation registered with the Board of Governors of the Federal Reserve System (Federal Reserve) as a bank holding company under the Bank Holding Company Act of 1956, as amended (BHCA). Hometown Financial is the holding company for: (1) bankESB, a Massachusetts-chartered stock savings bank headquartered in Easthampton, Massachusetts; (2) bankHometown, a Massachusetts-chartered stock savings bank headquartered in Oxford, Massachusetts; and (3) North Shore Bank, a Massachusetts-chartered stock co-operative bank headquartered in Peabody, Massachusetts. Hometown Financial formed Hometown Financial Acquisition Corp. II, a wholly owned subsidiary solely to facilitate the Proposed Transaction.

North Shore Bank is a stock co-operative bank and a wholly-owned subsidiary banking institution of Hometown Financial. In addition to its main office in Peabody, Massachusetts, North Shore Bank operates 24 full-service branch offices located in communities across Massachusetts: Beverly (3), Danvers, Merrimac, Middleton, Peabody (2), Salem (2), and Saugus (2) in Essex County, Massachusetts; Reading in Middlesex County, Massachusetts; Avon, Braintree, Cohasset (2), Holbrook, Randolph, and Stoughton (2) in Norfolk County, Massachusetts; Abington and Marion in Plymouth County, Massachusetts; and Newton in Rockingham County, New Hampshire. As of June 30, 2025, North Shore Bank reported total assets of approximately \$2.9 billion and total deposits of approximately \$2.4 billion. North Shore Bank's deposits are insured up to allowable limits by the Federal Deposit Insurance Corporation (FDIC) and by the DIF for amounts in excess of the FDIC's insurance limits. North Shore Bank has seven wholly-owned subsidiaries: Compass Rose Security Corp., NASB Securities Corporation, 16 Harrison Avenue Corporation, 48 South Street Corporation, First Eastern Mortgage Corp., North Shore Security Corp., and Essex County Properties LLC.

15 Beach, MHC, Quincy, Massachusetts, is a federal mutual holding company registered with the Federal Reserve as a bank holding company under the BHCA. As a result of a reorganization and minority stock issuance completed in January 2022, 15 Beach, MHC owns 54.8% of the outstanding common stock

of CFSB Bancorp, Inc., Quincy, Massachusetts. The remaining 45.2% of the outstanding common stock of CFSB Bancorp, Inc. is owned by public stockholders, with approximately 3.0% of that ownership amount held by the Colonial Federal Savings Bank Charitable Foundation, Inc.

CFSB Bancorp, Inc., Quincy, Massachusetts (CFSB Bancorp), is a federal corporation registered with the Federal Reserve as a bank holding company under the BHCA. CFSB Bancorp is the stock holding company for Colonial Federal Savings Bank.

Colonial Federal Savings Bank is a federal savings bank and is an indirect banking subsidiary of 15 Beach MHC and direct banking subsidiary of CFSB Bancorp. In addition to its main office in Quincy, Massachusetts, North Shore Bank operates 3 full-service branch offices located in: Holbrook, Weymouth, and Quincy in Norfolk County, Massachusetts. As of June 30, 2025, Colonial Federal Savings Bank reported total assets of approximately \$366.3 million and total deposits of approximately \$284.3 million. Colonial Federal Savings Bank's deposits are insured by the FDIC to the fullest extent permitted by law. Colonial Federal Savings Bank has one wholly-owned subsidiary: Beach Street Securities Corp.

Competition

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the Proposed Transaction. In analyzing the impact of a Proposed Transaction on banking competition, the Division considers, but does not rely exclusively upon, the guidelines used by the federal authorities to review bank mergers. These guidelines define relevant geographic markets and measure market concentrations as indicators of competitiveness in the local banking markets. The starting point in the federal analysis is the Herfindahl-Hirschman Index (HHI), an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in the affected market into a single value. For this transaction, the HHI analysis demonstrates that consummation of the transaction will not result in an undue concentration of banking resources.

North Shore Bank and Colonial Federal Savings Bank both compete in the Boston, Massachusetts-New Hampshire Banking Market (Relevant Market) as that market is defined by the Federal Reserve for purposes of the HHI analysis. The Relevant Market is a highly concentrated banking market on an unweighted deposits basis under the HHI model according to applicable guidelines and would remain a highly concentrated market following the Proposed Transaction. With no projected change in the HHI for

the Relevant Market following the consummation of the Proposed Transaction, market concentration would remain essentially unchanged following the combination of Colonial Federal Savings Bank with and into North Shore Bank and would therefore support a finding that consummation of the Proposed Transaction will not result in an undue concentration of banking resources. Additionally, the inclusion of Hometown MHC's other subsidiary banks, bankHometown and bankESB, in the HHI analysis does not alter the assessment of the competitive impact of the Proposed Transaction because neither bankHometown nor bankESB operate branch offices in the Relevant Market.

In addition to the HHI analysis, the Division considers the competitive impact of the Proposed Transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. The Proposed Transaction will not have a significant adverse effect on competition among banking institutions in any relevant market. Specifically, there is almost no overlap in the cities and towns in which the banks maintain branch offices. All four of Colonial Federal Savings Bank's branches are located in Norfolk County, Massachusetts. Although eight of North Shore Bank's 25 branches are located in Norfolk County, Massachusetts, the only overlapping town in Norfolk County in which both North Shore Bank and Colonial Federal Savings Bank have a branch is Holbrook, Massachusetts. Rather than combining overlapping branch networks, the Proposed Transaction will permit North Shore Bank to expand the branch network of the Continuing Institution in Norfolk County, Massachusetts. Also, the presence of other banks, credit unions, and non-depository lenders in the relevant markets is a further indication that the Proposed Transaction will not have a significant adverse effect on competition nor result in an undue concentration of banking resources in the communities to be served by the Continuing Institution. Accordingly, the analysis of the competitive impact of this Proposed Transaction supports its approval.

Public Convenience and Advantage

The Division also considered information provided in the application addressing whether public convenience and advantage will be promoted by the Proposed Transaction. North Shore Bank anticipates that the Proposed Transaction will provide the Continuing Institution with the ability to offer its products and services in a more efficient manner, spreading fixed costs over a larger asset base. With no branch office closings anticipated as a result of this transaction, customers of both banks will benefit from access to the larger branch and ATM network of the Continuing Institution.

In determining whether to approve a petition under the statutory criteria, the Division is required to consider a showing of “net new benefits” related to the transaction. That term as set out in Massachusetts General Laws chapter 167I, section 3 includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors that the Division may deem necessary. The Continuing Institution’s initial capital investments are expected to include new bank signage, telecommunications equipment, and branch equipment. Because there will be no redundancies in the branch network, no customer-facing positions are expected to be eliminated as a result of the Proposed Transaction. The materials submitted as part of the application indicate that the banks believe the Proposed Transaction will permit the Continuing Institution to better and more conveniently serve the needs of its customers, employees, and communities by creating a more formidable competitor than either North Shore Bank or Colonial Federal Savings Bank alone. The greater size of the Continuing Institution and shared resources of the subsidiary banks under a common mutual holding company will allow improvement in operations and technology, which should result in greater efficiencies and superior banking services for customers. North Shore Bank plans to offer all products currently available to its customers to the customers of Colonial Federal Savings Bank. Specifically, the customers of Colonial Federal Savings Bank will gain access to live chat video, interactive teller machines, an online application for small business lending and real time processing access, a Spanish-speaking voice recognition unit, e-sign, the Zelle banking app, the ZSuite escrow and subaccounting platform, a dedicated government banking representative, the early pay ACH service, health savings accounts, and access to over 55,000 additional free ATMs as part of the Allpoint ATM network. Additionally, the North Shore Bank and Colonial Federal Saving Bank branches will be combined into the consolidated Hometown Financial data processing system allowing for increased efficiency.

The communities served by North Shore Bank currently have access to the benefits of the NSB Community Foundation, Inc. that was formed in 2024 with a \$2 million initial contribution and is dedicated to charitable purposes within the communities currently served by North Shore Bank. Additionally, the communities served by Colonial Federal Savings Bank currently have access to the benefits of the Colonial Federal Savings Bank Charitable Foundation, Inc. that was formed in 2022 with an initial contribution of 130,433 shares of CFSB Bancorp common stock and \$250,000 in cash and is dedicated to charitable

purposes within the communities currently served by Colonial Federal Savings Bank. Under the terms of the Merger Agreement, the individuals serving as directors of the Colonial Federal Savings Bank Foundation, Inc. may continue to serve as directors of the foundation at their own discretion.

Related to the issue of public convenience and advantage is the record of CRA performance by the banks that are parties to this transaction. Such review for Massachusetts-chartered banks includes examination by personnel of the Division. A publicly available descriptive rating and evaluation by a federal bank regulatory agency may also be considered. North Shore Bank received a “Satisfactory” rating in its most recent CRA performance evaluation conducted jointly by the Division and the FDIC as of July 25, 2022. Colonial Federal Savings Bank received a “Satisfactory” rating in its most recent CRA performance evaluation conducted by the Office of the Comptroller of the Currency (OCC) as of August 14, 2023. The Division’s consideration of the CRA performance of North Shore Bank and Colonial Federal Savings Bank supports the approval of the Proposed Transaction.

Financial and Managerial Considerations

The Division reviews and considers the financial and managerial aspects of the Proposed Transaction. Materials provided indicate that the Continuing Institution will meet all regulatory capital requirements upon consummation of the Proposed Transaction.

Following the Proposed Transaction, the Boards of Directors and principal officers of Hometown MHC, Hometown Financial, and North Shore Bank will consist of the current directors of Hometown MHC, Hometown Financial, and North Shore Bank, respectively. However, under the terms of the Merger Agreement, North Shore Bank will consider increasing the size of its board of directors by an additional seat or seats and appointing one or more additional current members of the board of directors of CFSB Bancorp to fill the additional seat(s) created, but North Shore Bank is under no obligation to do so. The election of any additional director(s) considered will be subject to the discretion and satisfaction of the completion of North Shore Bank’s existing nomination and qualification processes.

Accordingly, upon review, the financial and managerial considerations support approval of the application.

Conclusion

Upon review of the complete record of the application with reference to the relevant statutory and regulatory requirements, the Division concludes that all such requirements have been met, and that consummation of the Proposed Transaction is in the public interest. On the basis of these considerations, and subject to the conditions set forth below, approval is granted for Colonial Federal Savings Bank to merge with and into North Shore Bank, a Co-operative Bank under the charter, by-laws, and name of North Shore Bank, a Co-Operative Bank pursuant to Massachusetts General Laws chapter 167I, section 3. Upon consummation of the Proposed Transaction, all rights, privileges, powers, franchises, properties, assets, liabilities, and obligations of Colonial Federal Savings Bank shall be vested in and assumed by the Continuing Institution. Approval is also granted for the Continuing Institution to maintain each of the branch offices of Colonial Federal Savings Bank as branch offices of the Continuing Institution.

The approvals granted herein are subject to the following conditions:

1. That the Proposed Transaction shall not become effective until a Certificate signed by the Presidents and Clerks, or other duly authorized officers of each bank, indicating that each institution has complied with the provisions of Massachusetts General Laws chapter 167I, section 3 has been returned with my endorsement thereon;
2. That the Proposed Transaction shall not become effective unless the Articles of Merger with my endorsement thereon are filed with the Secretary of State;
3. That the proposed holding company merger of 15 Beach, MHC with and into Hometown MHC shall not become effective unless the Articles of Merger are filed with the Division; and
4. That the Proposed Transaction shall be consummated within one year of the date of this Decision.

Mary L. Gallagher

Commissioner of Banks

10/21/2025

Date