

*Note: This is a sample prospectus. We have changed the information provide here. This prospectus is for information purposes only. It is not intended to be legal advice. You should not act or abstain from acting based upon such information without first consulting a legal professional.*

**XXXXX BANCORP, INC.**  
(Proposed holding company for XXXXX Savings Bank)

Up to 3,461,500 Shares of Common Stock  
(Anticipated Maximum)

XXXXX Bancorp, Inc. is offering shares of common stock in an initial public offering. XXXXX Bancorp is being organized by XXXXX Savings Bank in connection with its reorganization into the mutual holding company form of organization. The shares we are offering will represent 43.0% of our outstanding common stock. XXXXX Mutual Holding Company, a mutual holding company being formed by XXXXX Savings Bank in connection with its reorganization, will own 55% of our outstanding common stock. The remaining 2.0% of our common stock will be contributed to the XXXXX Charitable Foundation, a charitable foundation to be formed by XXXXX Savings Bank as part of the reorganization. We expect that the common stock of XXXXX Bancorp, Inc. will be quoted on the Nasdaq Global Market under the symbol "\_\_\_\_."

Braxton Capital will use its best efforts to assist us in our selling efforts, but is not required to purchase any of the common stock that is being offered for sale. All shares offered for sale are being offered at a price of \$10.00 per share. Purchasers will not pay a commission to purchase shares of common stock in the offering.

**We are offering up to 3,461,500 shares of common stock for sale on a best efforts basis, subject to certain conditions. We must sell a minimum of 2,558,500 shares to complete the offering.** If, as a result of regulatory considerations, demand for the shares or changes in market or financial conditions, the independent appraiser determines our pro forma market value has increased, we may sell up to 3,980,725 shares without giving you further notice or the opportunity to change or cancel your order. The offering is expected to expire at 12:00 noon, Eastern time, on \_\_\_\_\_, 2008. We may extend this expiration date without notice to you until \_\_\_\_\_, 2008.

Certain current and former depositors and certain borrowers of XXXXX Savings Bank have priority rights to purchase shares before shares are available for sale to the public. The minimum purchase is 25 shares. Once submitted, orders are irrevocable unless the offering is terminated or extended beyond \_\_\_\_\_, 2008. If the offering is extended beyond \_\_\_\_\_, 2008, subscribers will be notified and will be given the right to confirm, change or cancel their orders, and funds will be returned promptly to subscribers who do not respond to this notice. Funds received before completion of the offering up to the minimum of the offering range will be maintained at XXXXX Savings Bank. Funds received in excess of the minimum of the offering range may be held in a segregated account at XXXXX Savings Bank, or at our discretion, in an escrow account at an independent insured depository institution. In either case, we will pay interest on all funds received, at a rate equal to XXXXX Savings Bank's passbook rate, which is currently \_\_\_\_\_% per annum. If we do not sell the minimum number of shares or if we terminate the offering for any other reason, we will promptly return your funds, with interest calculated at XXXXX Savings Bank's passbook rate.

The Office of Thrift Supervision has conditionally approved our plans of reorganization and stock issuance. However, such approval does not constitute a recommendation or endorsement of this offering.

**This investment involves a degree of risk, including the possible loss of principal. Please read “Risk Factors” beginning on page \_\_.**

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**OFFERING SUMMARY**  
**Price per Share: \$10.00**

	Minimum	Maximum	Maximum, as Adjusted
Number of shares	2,558,500	3,461,500	3,980,725
Gross offering proceeds	\$ 25,585,000	\$ 34,615,000	\$ 39,807,250
Estimated offering expenses <sup>(1)</sup>	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000
Selling agent fees	\$ 228,000	\$ 310,000	\$ 357,000
Estimated net proceeds	\$ 24,312,000	\$ 33,260,000	\$ 38,405,250
Estimated net proceeds per share	\$ 9.50	\$ 9.61	\$ 9.65

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(1) Excludes selling agent fees and expenses payable to Braxton Capital in connection with the offering.

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**These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**Neither the Securities and Exchange Commission, the Office of Thrift Supervision, nor any state securities regulator has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

**For assistance, please contact our Stock Information Center toll-free at (800) \_\_\_\_\_ - \_\_\_\_\_.**

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The date of this prospectus is \_\_\_\_\_, 2008

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**SUMMARY**

*This summary highlights selected information from this document and may not contain all the information that is important to you. To fully understand the reorganization and offering, you should read this entire document carefully, including the consolidated financial statements and the notes to consolidated financial statements of XXXXX Savings Bank.*

**XXXXX Mutual Holding Company**

Upon completion of the reorganization, XXXXX Mutual Holding Company, a to-be-formed federally chartered mutual holding company, will become the mutual holding company parent of

XXXXX Bancorp, Inc. XXXXX Mutual Holding Company is not currently an operating company and has not engaged in any business to date. Initially, XXXXX Mutual Holding Company will own 55.0% of XXXXX Bancorp's outstanding common stock after the reorganization and offering. So long as XXXXX Mutual Holding Company is our mutual holding company, it must always own at least a majority of the voting stock of XXXXX Bancorp. Presently, it is expected that the only business activity of XXXXX Mutual Holding Company will be to own a majority of XXXXX Bancorp's common stock. The directors and officers who manage XXXXX Savings Bank also will manage XXXXX Bancorp and XXXXX Mutual Holding Company.

### **XXXXX Bancorp, Inc.**

XXXXX Bancorp, Inc. will be formed as a federal corporation and will be the mid-tier holding company for XXXXX Savings Bank following the reorganization. A federal corporation is generally not subject to state business organization laws. We are not currently an operating company and have not engaged in any business to date. Immediately upon completion of the reorganization and offering, it is expected that the business activities of XXXXX Bancorp will be to hold all of the issued and outstanding shares of common stock of XXXXX Savings Bank. Our executive offices will be located at the current headquarters of XXXXX Savings Bank.

### **XXXXX Savings Bank**

XXXXX Savings Bank is a federally chartered mutual savings bank which was originally organized in 1887. As of September 30, 2007, the bank had \$551.9 million in total assets, \$433.5 million in total deposits and \$44.0 million in equity. We operate out of our headquarters in Our City, United States, approximately 25 miles from downtown State's capital, and six additional financial centers located throughout County, United States. XXXXX Savings Bank is a community oriented savings bank offering a variety of deposit products and services as well as providing single-family residential loans, commercial real estate and construction loans and, to a lesser degree, consumer loans, primarily to individuals, families and small to mid-sized businesses located in the County market area as well as contiguous counties in southeastern United States. As of September 30, 2007, \$193.5 million or 40.4% of the bank's total loans (including loans held for sale) consisted of one-to four-family residential mortgage loans and \$108.5 million or 22.7% consisted of commercial real estate loans.

### **Our Business Strategy**

XXXXX Savings Bank's mission is to operate and grow a profitable community focused financial institution while protecting its franchise through prudent operating standards. We plan to achieve this by executing our strategy of:

- Growing and diversifying our loan portfolio by, among other things, increasing our origination of commercial real estate loans;
- growing our franchise by expanding our financial center network in our market area and contiguous communities;
- increasing our market share in our current markets;
- increasing our core deposits;
- maintaining high asset quality; and
- continuing to provide exceptional service to attract and retain customers.

We believe our mutual holding company reorganization and the offering will assist us in implementing our business strategy by increasing our capital base which will support continuing growth in our lending operations and facilitate the expansion of our franchise through the opening of additional *de novo* branch offices or possible acquisitions of other financial institutions. After our reorganization and offering, we will also be able to use stock-related incentive programs to attract and retain executive and

other personnel, which we expect will permit us to expand our lending capabilities. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Business Strategy*” on page

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## **Our Market Area**

We conduct business from our headquarters in Our City, United States, approximately 25 miles west of State’s capital, and seven financial centers located throughout County, United States. Our primary lending efforts are focused in County and Delaware and Montgomery Counties, which are contiguous to County and also are within the greater State’s capital market area. The economy within our market area is relatively diverse, with a variety of operating sectors. County, United States is relatively affluent, and its population has grown at a faster rate than national and United States growth rates. See “*Business of XXXXX Savings Bank—Our Market Area.*”

## **Reorganization to the Mutual Holding Company Structure and Stock Issuance**

The reorganization involves a series of transactions by which XXXXX Savings Bank will reorganize from its current structure as a mutual savings bank to the mutual holding company structure. Following the reorganization, XXXXX Savings Bank will become a wholly owned subsidiary of XXXXX Bancorp. XXXXX Mutual Holding Company will own more than a majority of the to-be outstanding shares of XXXXX Bancorp, and will be entitled to vote on matters required to be put to a vote of stockholders of XXXXX Bancorp. As a stock savings bank, XXXXX Savings Bank intends to continue to follow its existing business strategies and will remain subject to the regulation and supervision of the Office of Thrift Supervision and the Federal Deposit Insurance Corporation.

As part of the reorganization, we are offering between 2,558,500 and 3,461,500 shares of our common stock for sale at \$10.00 per share, which corresponds to the offering range based on our independent appraisal. Subject to regulatory approval, we may increase the amount of stock to be sold to 3,980,725 shares or \$39.8 million without any further notice to you if market or financial conditions change before we complete the reorganization and stock offering. In addition, we propose to contribute an amount equal to 2.0% of the to-be outstanding shares of our common stock to the XXXXX Charitable Foundation. The \$10.00 per share price was selected primarily because it is the price most commonly used in mutual holding company reorganizations and offerings. Braxton Consulting, LC’s appraisal is based in part on our financial condition and results of operations, the effect of the additional capital raised by the sale of shares of common stock in the offering and an analysis of a peer group of ten publicly traded mutual holding company subsidiaries that Braxton Consulting, LC. considered comparable to us.

In the mutual holding company structure, we will be able to develop long-term growth opportunities and access the capital markets more easily in the future. The offering will increase the amount of funds available to us for lending and investment. This will provide greater flexibility to diversify and expand operations in our current market area and neighboring communities. In addition, we will be able to provide stock based incentives to our directors, officers and employees.

Unlike a standard mutual to stock conversion where all of the common stock of the holding company is sold to the public, a mutual holding company reorganization requires that a majority of the stock holding company’s (*i.e.*, XXXXX Bancorp) common stock be held by a mutual holding company (*i.e.*, XXXXX Mutual Holding Company). The common stock we are offering represents a minority interest in XXXXX Bancorp.

## **The Reorganization and Offering**

We are offering between 2,558,500 shares and 3,461,500 shares of our common stock for sale at a purchase price of \$10.00 per share on a priority basis to depositors and certain borrowers of XXXXX Savings Bank, our employee stock ownership plan and the public. No commission will be charged to investors during the offering period. All purchasers of our common stock in the offering will pay the same cash price per share in the offering. Subject to regulatory approval, we may increase the amount of stock to be sold to 3,980,725 shares without any further notice to you if, as a result of regulatory conditions, demand for the shares or changes in market or financial conditions, the independent appraiser

determines that the market value has increased. We also intend to make a charitable contribution of 2.0% of our to-be outstanding shares of common stock to the XXXXX Charitable Foundation.

### **Reasons for the Reorganization and Offering**

We are pursuing the reorganization and offering for the following reasons:

- The additional funds resulting from the offering will support future growth and geographic expansion of our banking operations, as well as provide increased lending capability.
- To enhance our future earnings and profitability through reinvesting and leveraging the net proceeds, primarily through traditional lending and investing activities.
- To enhance our current compensation programs through the addition of stock-based benefit plans, which we expect will help us to attract and retain qualified directors, officers and employees.
- The offering will facilitate our ability to make acquisitions of other institutions in the future (although we do not currently have any plans, agreements or understandings regarding any acquisition transactions).
- To form a charitable foundation to benefit the communities we serve.
- To structure our organization in a form that will enable us to access the capital markets.

We believe that this is the right time for XXXXX Savings Bank to reorganize into the mutual holding company form and issue stock in the offering. We believe that we can continue to grow our loan portfolio, particularly in the commercial real estate and construction and development areas. The increased capital from the offering proceeds will enable us to have the flexibility to make larger loans than we have been able to in the past. In addition, we believe that there may be opportunities to make acquisitions of other financial institutions in the future as consolidation continues in the financial sector. The proceeds from the offering as well as the stock form of ownership will facilitate our ability to consider acquisitions in the future.

### **Conditions to Completion of the Reorganization and Offering**

We cannot complete the offering unless:

- Our members approve the plan of reorganization at the special meeting to be held on \_\_\_\_\_, 2008;
- We sell at least the minimum number of shares offered; and
- We receive the final approval of the Office of Thrift Supervision to complete the reorganization and the offering.

### **How We Determined the Price Per Share and the Offering Range**

**The offering** range is based on an independent appraisal of XXXXX Savings Bank's pro forma market value following the reorganization and offering by Braxton Consulting, LC., an appraisal firm experienced in appraisals of savings institutions. The pro forma market value is the estimated market value of XXXXX Bancorp assuming the sale of shares in this offering. Braxton Consulting has estimated that in its opinion as of December 7, 2007, our estimated pro forma market value on a fully converted basis (meaning an assumed issuance of 100% of our shares to the public, rather than 45%) was between \$59.5 million and \$80.5 million, with a midpoint of \$70.0 million (this is sometimes referred to as the

valuation range). The appraisal was based in part upon XXXXX Savings Bank's financial condition and operations and the effect of the additional capital which will be raised in this offering.

The following shows the number of shares that will be issued to our mutual holding company, sold in the offering and contributed to the XXXXX Charitable Foundation based on the valuation range and \$10.00 per share offering price.

	<b>Shares At the Minimum of the Offering Range</b>	<b>Percentage of To- Be Outstanding Shares</b>	<b>Shares At the Maximum of the Offering Range</b>	<b>Percentage of To- Be Outstanding Shares</b>
Shares issued to XXXXX Mutual Holding Company	3,272,500	55%	4,427,500	55%
Shares sold in offering	2,558,500	43%	3,461,500	43%
Shares contributed to charitable foundation	119,000	2%	161,000	2%
<b>Total</b>	<b>5,950,000</b>	<b>100.0%</b>	<b>8,050,000</b>	<b>100.0%</b>

Braxton Consulting's appraisal incorporates an analysis of a peer group of publicly traded mutual holding company institutions that Braxton Consulting considers to be comparable to XXXXX Bancorp, including an evaluation of the average and median price-to-earnings and price-to-book value ratios indicated by the market prices of the peer companies, with such ratios adjusted to their fully converted equivalent basis. Braxton Consulting applied the peer group's fully converted pricing ratios, as adjusted for certain qualitative valuation adjustments to account for differences between us and the peer group, to our pro forma earnings and book value to derive our estimated pro forma market value. As is customary with appraisals for proposed initial public offerings by companies with a mutual holding company structure, Braxton Consulting's primary methodology was to value our common stock assuming we were issuing 100% of our stock to the public rather than 45.0% to the public (including 2.0% to be contributed to the XXXXX Charitable Foundation) and 55.0% to the mutual holding company and to further assume that the companies in the peer group had completed a second-step conversion and that 100% of their stock also was held by the public. In addition, Braxton Consulting's appraisal included limited information comparing certain publicly reported pricing ratios of the peer group (without adjusting them based on the assumption that they had completed a second-step conversion) with the pro forma value of the proposed 45.0% minority stock issuance by XXXXX Bancorp (including 2.0% of the to-be outstanding shares to be contributed to the XXXXX Charitable Foundation).

The following table reflects the pricing ratios on a reported basis for the peer group (based upon publicly reported earnings and book value per share) and on a pro forma basis for the proposed 45.0% minority stock issuance by XXXXX Bancorp in the offering and the contribution to the XXXXX Charitable Foundation.

#### Pro Forma Reported Basis

	<b>Price-to- Earnings Multiple</b>	<b>Price-to- Book Value Ratio</b>	<b>Price-to- Tangible Book Value</b>
<b>XXXXX Bancorp (pro forma)</b>			
Maximum, as adjusted	37.04x	119.19%	119.19%
Maximum	32.26	110.13	110.13
Midpoint	27.78	101.21	101.21
Minimum	23.26	91.24	91.24
<b>Valuation of peer group companies as of December 7, 2007<sup>(1)</sup></b>			
Averages	33.01x	156.75%	167.32%
Medians	34.50	138.65	152.19

(1) Reflects earnings for the then-most recent trailing twelve month period for which data was publicly available.

Compared to the average pricing of the peer group on a reported basis, XXXXX Bancorp's pro forma pricing ratios for the 45.0% minority stock issuance at the maximum of the offering range indicated a discount of 2.3% on a price-to-earnings basis and a discount of 29.7% on a price-to-book basis and 34.2% on a price-to-tangible book basis. At the midpoint of the offering range, our pro forma pricing ratios reflect a 15.8% discount on a price-to-earnings basis and discounts of 35.4% on a price-to-book basis and 39.5% on a price-to-tangible book basis compared to the averages for the peer group on an as reported basis. The estimated appraised value and the resulting premium/discount took into consideration the potential financial impact of the stock offering.

The following table presents a summary of selected pricing ratios for the peer group companies and the resulting pricing ratios for XXXXX Bancorp adjusted to their fully converted equivalent values.

#### Fully Converted Equivalent Pro Forma

	<b>Price-to- Earnings Multiple</b>	<b>Price-to- Book Value Ratio</b>	<b>Price-to- Tangible Book Value</b>
<b>XXXXX Bancorp (pro forma)</b>			
Maximum, as adjusted	31.56x	75.82%	75.82%
Maximum	28.09	71.94	71.94
Midpoint	24.94	67.93	67.93
Minimum	21.66	63.17	63.17
<b>Valuation of peer group companies as of December 7, 2007<sup>(1)</sup></b>			
Averages	28.33x	86.51%	89.49%
Medians	28.72	83.58	88.89

(1) Reflects earnings for the then-most recent trailing twelve month period for which data was publicly available.

Compared to the average pricing of the peer group, XXXXX Bancorp's pro forma pricing ratios at the maximum of the offering range on a fully converted basis indicated a discount of 0.8% on a price-to-earnings basis and discounts of 16.8% on a price-to-book basis and 19.6% on a price-to-tangible book basis. The term "fully-converted" means that Braxton Consulting assumed that all of our common stock had been sold to the public, rather than the 45% minority position to be issued in this offering. At the midpoint of the offering range, our pricing ratios on a fully converted basis reflect a discount of 12.0% on

a price-to-earnings basis and discounts of 21.5% on a price-to-book basis and 24.1% on a price-to-tangible book basis compared to the averages for our peer group.

It is customary that stock offerings of newly converting savings institutions are offered at some discount to their pro forma book value per share. This is due in part to the fact that federal regulations require that the shares be offered and sold at their independently appraised fair value and that such institutions usually already have significant equity. In addition, as the offering price approaches 100% of the pro forma book value per share, it is more likely to substantially exceed the price-to-earnings ratios of comparable peer group institutions.

Braxton Consulting's calculation of the fully converted pricing multiples for the peer group companies assumed the pro forma impact of selling the mutual holding company shares of each of the peer group companies at their respective trading prices as of the December 7, 2007 valuation date.

In accordance with the regulations and policies of the Office of Thrift Supervision, the offering range is based upon the appraised pro forma market value of our common stock, as determined on the basis of an independent valuation. We retained Braxton Consulting to provide us with such valuation. Our board of directors carefully reviewed the information contained in the appraisal prepared by Braxton Consulting, including the price-to-earnings and price-to-book and price-to-tangible book information summarized in the tables above, and approved the appraisal of Braxton Consulting and the 45.0% minority stock issuance (including the shares to be contributed to the XXXXX Charitable Foundation). The appraisal report of Braxton Consulting indicated that, in comparing XXXXX Bancorp to the peer group, certain adjustments to their pricing multiples should be made including an upward adjustment for market area. Braxton Consulting made a downward adjustment due to stock market conditions for thrift stocks. The board did not consider one valuation approach to be more important than any other, but approved the valuation upon consideration of the totality of the information included in Braxton Consulting's report.

The \$10.00 per share was selected primarily because \$10.00 is the price per share most commonly used in stock offerings involving mutual holding company reorganizations of banking institutions. Subject to regulatory approval, we may increase the amount of common stock offered by up to 15%. We are offering 43% of our shares of common stock for sale to the public in the offering and we are contributing 2% of the to-be outstanding shares to the XXXXX Charitable Foundation. Accordingly, at the minimum of the offering range, we are offering 2,558,500 shares, and at the maximum, as adjusted, of the offering range we are offering 3,980,725 shares in the subscription offering. The appraisal will be updated before the reorganization is completed. If the pro forma market value of the 43% minority interest in the common stock to be sold in the offering at that time is either below \$25.6 million or above \$39.8 million, we will notify subscribers, return the subscription amounts and subscribers will have the opportunity to modify or cancel their order. See *"The Reorganization and Offering - How We Determined the Price Per Share and the Offering Range"* for a description of the factors and assumptions used in determining the stock price and offering range.

**The independent appraisal does not indicate market value. Do not assume or expect that our valuation discussed above means that the common stock will trade at or above the \$10.00 purchase price after the reorganization.**

#### After-Market Stock Price Performance of Mutual Holding Company Offerings

The following table provides information regarding the after-market performance of the "first-step" mutual holding company offerings completed from January 1, 2007 through December 7, 2007. "First-step" mutual holding company offerings are initial public offerings by companies in the mutual holding company form of organization.

Issuer (Market/Sym)	Date of IPO	Gross Proceeds (In millions)	Appreciation (Depreciation) From Initial Offering Price			
			One Day	After 1 Week	After 1 Month	Through 12/07/07

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Northfield Bancorp, Inc. (Nasdaq: NFBK)	11/08/2007 \$	192.7	4.5%	16.7%	4.9%	4.9%
LaPorte Bancorp, Inc. (Nasdaq: LPSB)	11/15/2007	13.0	(8.1)	(17.2)	(18.7)	(22.7)
FSB Community Bancshares, Inc. (Nasdaq: FSBC)	08/15/2007	8.4	—	—	(5.0)	(13.8)
Beneficial Mutual Bancorp, Inc. (Nasdaq: BNCL)	07/16/2007	236.1	(7.9)	(6.2)	(13.0)	(1.0)
Hometown Bancorp, Inc (OTCBB: HTWC)	06/29/2007	10.7	—	—	(5.0)	(22.0)
TFS Financial Corporation (Nasdaq: TFSL)	04/23/2007	1,002.0	17.9	17.2	23.3	27.0
Sugar Creek Financial Corp. (OTCBB: SUGR)	04/04/2007	4.1	—	5.0	6.0	(7.5)
Delanco Bancorp, Inc. (OTCBB: DLNO)	04/02/2007	7.4	—	—	(5.0)	(27.5)
Oritani Financial Corp. (Nasdaq: ORIT)	01/24/2007	121.7	59.7	53.5	55.0	30.6
Polonia Bancorp (OTCBB: PBCP)	01/16/2007	14.9	1.0	0.1	0.6	(17.0)
MSB Financial Corp. (Nasdaq: MSBF)	01/05/2007	25.3	23.0	21.2	19.3	(4.0)
Average —all transact		148.8	8.2	8.6	5.7	(4.8)

Median	14.9	—	0.1	0.6	(7.5)
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**This table is not intended to be indicative of how our stock may perform. Furthermore, this table presents only short-term price performance with respect to several companies that only recently completed their initial public offerings and may not be indicative of the longer-term stock price performance of these companies.** Stock price appreciation is affected by many factors, including, but not limited to: general market and economic conditions; the interest rate environment; the amount of proceeds a company raises in its offering; and numerous factors relating to the specific company, including the experience and ability of management, historical and anticipated operating results, the nature and quality of the company's assets, and the company's market area. The companies listed in the table above may not be similar to XXXXX Bancorp, the pricing ratios for their offerings were in some cases different from the pricing ratios for XXXXX Bancorp's common stock and the market conditions in which these offerings were completed were, in some cases, different from current market conditions. Any or all of these differences may cause our stock to perform differently from these other offerings. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the "Risk Factors" section.

You should be aware that, in certain market conditions, stock prices of thrift initial public offerings have decreased. For example, as the above table illustrates, the stock of several companies traded at or below their initial offering price at various times through December 7, 2007. We can give you no assurance that our stock will not trade below the \$10.00 purchase price or that our stock will perform similarly to other recent mutual holding company reorganizations.

You should bear in mind that stock price appreciation or depreciation is affected by many factors. **There can be no assurance that our stock price will not trade below \$10.00 per share, as has been the case for some recent mutual holding company offerings. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the section entitled "Risk Factors" beginning on page \_\_\_.**

#### **We Will Form the XXXXX Charitable Foundation**

We intend to establish a charitable foundation, to be named the XXXXX Charitable Foundation, as part of the reorganization. Subject to approval by at least a majority of the votes eligible to be cast by members of XXXXX Savings Bank, we intend to make a contribution of shares of XXXXX Bancorp equal to 2.0% of the to-be outstanding shares. The number of shares to be contributed to the charitable foundation will range from 119,000 shares to 161,000 shares, based upon the minimum and maximum of offering range, respectively, or 185,150 shares in the event we sell shares at the maximum, as adjusted, of the offering range. The charitable foundation will continue the commitment of XXXXX Savings Bank to the communities we serve and will provide funding to support charitable causes and community development activities. Our contribution to the charitable foundation at the maximum of the offering range will reduce our net income by \$990,150, after tax, in the year in which the charitable foundation is established, which is expected to be fiscal 2008. The amount of common stock that we are offering for sale would be greater if the reorganization did not include the formation of, and contribution to, the XXXXX Charitable Foundation. If the members approve the plan of reorganization but not the establishment of, and contribution to, the XXXXX Charitable Foundation, XXXXX Savings Bank intends to complete the reorganization without establishing the foundation. For a further discussion of the financial impact of the foundation, see "Comparison of Independent Valuation and Pro Forma Financial Information With and Without The Foundation."

#### **Benefits to Management from the Offering**

Our employees, officers and directors will benefit from the offering due to the implementation of various stock-based benefit plans either adopted in connection with the offering or subsequent to its completion.

- Full-time employees, including officers, will be participants in our employee stock ownership plan which will purchase shares of common stock in the offering;

- Subsequent to completion of the reorganization, we intend to implement a:
  - stock recognition and retention plan; and
  - stock option plan

which will benefit our employees and directors.

Our employee stock ownership plan will buy 3.92% of the total shares of common stock to-be outstanding with a loan from XXXXX Bancorp using a portion of the net proceeds received in the offering. The shares will be allocated to the employee participants in the employee stock ownership plan over a period of time at no cost to the employees.

Applicable regulations of the Office of Thrift Supervision require that the stock recognition and retention and stock option plans adopted after completion of the reorganization be approved by a majority of the total votes cast by stockholders other than XXXXX Mutual Holding Company. Such shareholder approval cannot be obtained earlier than six months after the reorganization. If the stock recognition and retention and stock option plans are approved by our shareholders, we intend to grant stock awards and options to our employees and directors. The stock awards will consist of shares of XXXXX Bancorp common stock which will be issued at no cost to the recipients. The options will likewise be issued to directors and employees without cost to them but they will be required to pay the applicable exercise price at the time of exercise to receive the shares of common stock covered by the options. XXXXX Bancorp intends that such plans will comply with all then applicable regulations of the Office of Thrift Supervision.

You will find more information about our employee stock ownership plan and the stock recognition and retention and stock option plans by reading the section of this document entitled “*Our Management - New Stock Benefit Plans*” on page \_\_\_.

The following table summarizes the stock benefits that our directors, officers and employees may receive at the midpoint of the offering range.

Plan	Individuals Eligible To Receive Awards	Percentage of Shares Issued <sup>(1)</sup>	Number of Shares Based on Midpoint of Offering Range <sup>(2)</sup>	Value of Shares Based on Midpoint of Offering Range
Employee stock ownership plan	All full-time employees	3.92%	274,400	\$ 2,744,000 <sup>(2)</sup>
Stock recognition and retention plan	Directors, officers and selected employees	1.96	137,200	1,372,000 <sup>(3)</sup>
Stock option plan <sup>(4)</sup>	Directors, officers and selected employees	4.90	343,000	1,323,980 <sup>(3)</sup>

(1) Based on the total shares to-be outstanding, including shares issued to XXXXX Mutual Holding Company and to the XXXXX Charitable Foundation.

(2) Based on the \$10.00 per share offering price.

(3) Stock options will be granted with a per share exercise price at least equal to the market price of our common stock on the date of grant. The value reflected for stock options is assumed to be \$3.86 per share, which was determined using the Black-Scholes option-pricing formula. See “*Unaudited Pro Forma Data.*”

The following table presents the total value of all shares available for award and issuance under the restricted stock plan assuming the shares for the plan are issued in a range of market prices from \$8.00 per share to \$14.00 per share.

Share Price	116,620 Shares Awarded at Minimum of Range	137,200 Shares Awarded at Midpoint of Range	157,780 Shares Awarded at Maximum of Range	181,447 Shares Awarded at Maximum of Range, as Adjusted
\$ 8.00	\$ 932,960	\$ 1,097,600	\$ 1,262,240	\$ 1,451,576
10.00	1,166,200	1,372,000	1,577,800	1,814,470
12.00	1,399,440	1,646,400	1,893,360	2,177,364
14.00	1,632,680	1,920,800	2,208,920	2,540,258

The following table presents the total value of all stock options expected to be made available for grant under the proposed stock option plan, based on a range of market prices from \$8.00 per share to \$14.00 per share. For purposes of this table, the value of the stock options was determined using the Black-Scholes option-pricing formula. See “*Unaudited Pro Forma Data.*” Ultimately, financial gains can be realized on a stock option only if the market price of the common stock increases above the price at which the option is granted.

Exercise Price	Option Value	291,550 Options Awarded at Minimum of Range	343,000 Options Awarded at Midpoint of Range	394,450 Options Awarded at Maximum of Range	453,618 Options Awarded at Maximum of Range, as Adjusted
\$ 8.00	\$ 3.09	\$ 900,890	\$ 1,059,870	\$ 1,218,851	\$ 1,401,680
10.00	3.86	1,125,383	1,323,980	1,522,577	1,750,965
12.00	4.63	1,349,877	1,588,090	1,826,304	2,100,251
14.00	5.40	1,574,370	1,852,200	2,130,030	2,449,537

The Board of Directors of XXXXX Savings Bank may enter into an employment agreement with our President and Chief Executive Officer and the other named executive officers. It is anticipated that such agreements, if they are entered into, would provide certain severance and other benefits in the event that the officer’s employment is terminated. Such severance payment and benefits would in no event exceed 2.99 times the terminated officer’s prior five year average taxable compensation. The terms of the potential agreements have not yet been determined.

### The Amount of Stock You May Purchase

Purchases in the subscription offering may be made by certain depositors and borrowers of XXXXX Savings Bank. The minimum purchase is 25 shares. Generally, subscribers may purchase no more than \$200,000 (20,000 shares) of common stock. The maximum amount of shares that a subscriber, together with any “*associate*” or person that he or she is acting in concert with, may purchase is \$400,000 of common stock (40,000 shares) in all categories of the offering, combined. For this purpose, an “*associate*” of a person includes:

- your spouse or relatives of you or your spouse living in your house;
- companies, trusts or other entities in which you are a trustee, have a substantial financial interest or hold a senior management position; or
- other persons who may be acting in concert with you.

Unless we determine otherwise, persons having the same address and persons exercising subscription rights through deposit accounts registered to the same address will be aggregated and subject to this overall purchase limitation. We have the right to determine, in our sole discretion, whether prospective purchases are associates or acting in concert.

Subject to approval by the Office of Thrift Supervision, we may decrease or increase the maximum purchase limitation without notifying you. See “*The Reorganization and Offering – Limitations on Common Stock Purchases*” on page \_\_\_\_.

### **Persons Who May Order Stock in the Offering**

We are offering shares of our common stock in what is called a “*subscription offering*” in the following order of priority:

- (1) Depositors with a minimum of \$50 on deposit at XXXXX Savings Bank as of September 30, 2006;
- (2) Our tax-qualified employee stock ownership plan;
- (3) Depositors with a minimum of \$50 on deposit at XXXXX Savings Bank as of December 31, 2007; and
- (4) Depositors with accounts at XXXXX Savings Bank on \_\_\_\_\_, 2008 and borrowers with a loan from XXXXX Savings Bank at December 31, 1990 that remains outstanding at \_\_\_\_\_, 2008.

If we receive subscriptions for more shares than are to be sold in this offering, we may be unable to fill or may only partially fill your order. Shares will be allocated in order of the priorities described above under a formula outlined in the plan of stock issuance. If we increase the number of shares to be sold above 3,461,500 shares, XXXXX Bancorp’s employee stock ownership plan will have the first priority right to purchase any shares exceeding that amount to the extent that its subscription has not previously been filled. Any shares remaining will be allocated in the order of priorities described above. See “*The Reorganization and Offering – Subscription Offering and Subscription Rights*” for a description of the allocation procedure.

In the event that the persons indicated above with priority purchase rights do not subscribe for all of our shares of common stock, we may offer shares not sold in the subscription offering to the general public in a community offering, with preference given to natural persons residing in County, United States. The community offering, if any, may begin concurrently with, during or immediately after the subscription offering. We may also offer shares of common stock not purchased in the subscription offering or community offering through a syndicate of broker-dealers in a syndicated community offering. The syndicated community offering, if any, would be managed by Braxton Capital. We will have the right to accept or reject, in our sole discretion, any order received in the community offering or syndicated community offering.

### **How You May Purchase Shares of Common Stock**

If you want to place an order for shares of common stock in the subscription or community offering, you must complete and sign a stock order form and submit it to us, together with full payment. Once we receive your order, you cannot cancel or change it. You may pay for shares in the subscription offering or the community offering in the following ways:

- by personal check, bank check or money order made payable to XXXXX Bancorp, Inc. Funds submitted by personal check must be available in your account when the stock order is received; or
- by authorizing us to withdraw funds from your deposit account(s) maintained at XXXXX Savings Bank. On the stock order form, you may not authorize direct withdrawal from XXXXX Savings Bank individual retirement accounts or accounts with check-writing privileges. You may, however, authorize withdrawal from all types of savings accounts and certificate of deposit accounts. To use funds in accounts with check-writing privileges, you must submit a check with your stock order form. To use funds in individual retirement

accounts, see the section entitled “*Using Individual Retirement Account Funds.*”

Checks and money orders received by XXXXX Bancorp will be cashed immediately and placed in a segregated account at XXXXX Savings Bank, or, at our discretion, at another insured depository institution. We will pay interest on your funds submitted by check or money order at the rate we pay on our passbook savings accounts, from the date we receive your funds until the offering is completed or terminated. All funds authorized for withdrawal from deposit accounts must be available in the account when the stock order form is received. Funds will remain in the account and continue to earn interest at the applicable contract rate, and subscription funds will be withdrawn upon completion of the offering. A hold will be placed on those funds when your stock order is received, making the designated funds otherwise unavailable to you during the offering period. If, upon a withdrawal from a certificate account, the balance falls below the minimum balance requirement, the remaining funds will earn interest at our passbook savings rate. There will be no early withdrawal penalty for withdrawals from certificate of deposit accounts used to pay for stock.

Federal law prohibits us from knowingly loaning funds to anyone for the purpose of purchasing shares in the offering. You may not use a XXXXX Savings Bank line of credit check to purchase stock in the offering. Cash, wire transfers and third party checks may not be remitted.

For a further discussion regarding the stock ordering procedures, see “*The Reorganization and Offering– Procedure for Purchasing Shares.*”

### **Using Individual Retirement Account Funds**

On your stock order form, you may not authorize direct withdrawal of funds from a XXXXX Savings Bank individual retirement account. Please be aware that federal law requires that such funds first be transferred to a self-directed retirement account with an independent trustee such as a brokerage account. The transfer of such funds to a new trustee takes time. If you would like to use your individual retirement account funds held at XXXXX Savings Bank or elsewhere, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before \_\_\_\_\_, 2008, for assistance. We cannot guarantee that you will be able to use your individual retirement account funds held at XXXXX Savings Bank or elsewhere to purchase shares of common stock in the offering. Your ability to use your individual retirement account funds will depend on timing constraints and, possibly, limitations imposed by the individual retirement account trustee.

### **Your Subscription Rights Are Not Transferable**

You may not assign or sell your subscription rights. Any transfer of subscription rights is prohibited by law. If you exercise subscription rights, you will be required to certify that you are purchasing shares solely for your own account and that you have no agreement or understanding regarding the sale or transfer of shares. Any attempt to transfer subscription rights or to enter into an agreement to transfer your subscription rights to another investor may violate federal law and may be subject to civil enforcement actions or criminal penalties. We intend to pursue any and all legal and equitable remedies if we learn of the transfer of any subscription rights. We will reject orders that we believe to involve the transfer of subscription rights.

### **Deadline for Placing Orders of Common Stock**

If you wish to purchase shares of our common stock, a properly completed and signed original stock order form, together with payment for the shares, must be received (not postmarked) no later than 12:00 noon, Eastern time, on \_\_\_\_\_, 2008. You may submit your order form in one of three ways: by mail using the order reply return envelope provided, by overnight courier to the address indicated on the stock order form or by bringing the stock order form and payment to our Stock Information Center located at XXXXX Savings Bank’s corporate office, street, Our City, United States. The Stock Information Center is open weekdays, except bank holidays, from 10:00 a.m. until 4:00 p.m., Eastern Time. Once submitted, your order is irrevocable unless the offering is terminated or extended or the number of shares to be issued increases to more than 3,980,725 shares or decreases to less than 2,558,500 shares. We may extend the \_\_\_\_\_, 2008 expiration date, without notice to you, until \_\_\_\_\_,

2008. If the offering is extended beyond \_\_\_\_\_, 2008, or if the offering range is increased or decreased, we will be required to resolicit subscriptions before proceeding with the offering. In either of these cases, subscribers will have the right to confirm, modify or rescind their purchase orders. If we do not receive a response from a subscriber to any resolicitation, the subscriber's order will be rescinded and all funds received will be returned promptly with interest, or withdrawal authorizations will be cancelled. All extensions, in the aggregate, may not last beyond \_\_\_\_\_, 2010.

### Steps We May Take If We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 2,558,500 shares of common stock, we may take several steps in order to sell the minimum number of shares of common stock in the offering range. Specifically, we may:

- increase the purchase limitations; and/or
- hold a community offering and/or syndicated community offering; and/or
- seek regulatory approval to extend the offering beyond \_\_\_\_\_, 2008, provided that any such extension will require us to resolicit subscriptions as described above. See "*The Reorganization and Offering — Limitations on Common Stock Purchases.*"

If we fail to sell the minimum number of shares, we will return your funds to you with interest, or cancel your deposit account withdrawal authorization.

### Delivery of Stock Certificates

Certificates representing shares of common stock sold in the subscription and community offering will be mailed to the certificate registration address noted on the stock order form as soon as practicable following completion of the reorganization and offering and receipt of all regulatory approvals. **It is possible that, until certificates for the common stock are delivered to purchasers, purchasers might not be able to sell the shares of common stock which they ordered, even though the common stock will have begun trading.**

### Market for Common Stock

We expect that our common stock will be quoted on the Nasdaq Global Market. Braxton Capital currently intends to become a market maker in the common stock, but is under no obligation to do so. After shares of the common stock begin trading, you may contact a firm offering investment services in order to buy or sell shares.

### Use of Net Proceeds from the Sale of Our Common Stock

The net proceeds from the offering will be between \$24.2 million at the minimum of the offering range, \$33.2 million at the maximum of the offering range and \$38.3 million at the maximum of the offering range as adjusted by 15%. Half of the net proceeds will be contributed to XXXXX Savings Bank.

The following table shows how we intend to use the net proceeds of the offering.

Minimum of Offering Range	Midpoint of Offering Range	Maximum of Offering Range
2,558,500 Shares at \$10.00 Per Share	3,010,000 Shares at \$10.00 Per Share	3,461,500 Shares at \$10.00 Per Share

Proceeds contributed to XXXXX Savings Bank	\$	12,156	\$	14,393	\$	16,630
Proceeds contributed to XXXXX Mutual Holding Company		100		100		100
Proceeds used for loan to employee stock ownership plan		2,332		2,744		3,156
Proceeds used to repurchase shares for recognition and retention plan		1,166		1,372		1,578
Proceeds remaining for XXXXX Bancorp		8,558		10,177		11,796
<b>Total</b>	<b>\$</b>	<b>24,312</b>	<b>\$</b>	<b>28,786</b>	<b>\$</b>	<b>33,260</b>

XXXXX Bancorp intends to invest 100% of the proceeds it retains from the offering initially in short-term, liquid investments. Although there can be no assurance that XXXXX Bancorp will invest the net proceeds in anything other than short-term, liquid investments, over time, XXXXX Bancorp may use the proceeds it retains from the offering:

- to invest in investment securities;
- to fund the payment of cash dividends to stockholders;
- to repurchase shares of its common stock, subject to regulatory restrictions;
- to finance the possible acquisition of financial institutions or other businesses related to banking, although we have no specific plans regarding any acquisitions at this time; and
- for general corporate purposes.

The proceeds to be invested in XXXXX Savings Bank will be available to fund new loan originations, to finance the possible expansion of its network of financial center offices, and for its

general corporate purposes. For additional information, see *“How Our Net Proceeds Will be Used”* on page \_\_\_\_.

### **Our Dividend Policy**

We currently intend to adopt a policy of paying a regular cash dividend starting the first full quarter after we complete the reorganization. We do not guarantee that we will pay any dividends, nor do we guarantee the amount of any such dividends. If we do pay dividends, we do not guarantee that the amounts of any such dividends will not be reduced or eliminated in future periods.

### **Federal and State Income Tax Consequences of the Reorganization**

We have received an opinion from our tax counsel, Tax International., that, under federal income tax law and regulation, the tax basis to the shareholders of the common stock purchased in the offering will be the amount paid for the common stock, and that the reorganization will not be a taxable event for us. This opinion, however, is not binding on the Internal Revenue Service. We also have received an opinion from Braxton lawyers that the reorganization will not be a taxable event under United States income tax law, see *“The Reorganization and Offering - Material Federal Income Tax Aspects of the Reorganization and Offering.”* The full texts of the opinions are filed as exhibits to the registration statement of which this document is a part, and copies may be obtained from the Securities and Exchange Commission. See *“Where You Can Find More Information”* on page \_\_\_\_.

In its opinion, Tax International. notes that the subscription rights will be granted at no cost to the recipients, will be legally nontransferable and of short duration, and will provide the recipients with the right only to purchase shares of common stock at the same price to be paid by members of the general public in any community offering. Tax International. has also noted that Braxton Consulting has issued a letter stating that the subscription rights will have no ascertainable market value. In addition, no cash or property will be given to recipients of the subscription rights in lieu of such rights or to those recipients who fail to exercise such rights. In addition, the IRS was requested in 1993 in a private letter ruling to address the federal tax treatment of the receipt and exercise of non-transferable subscription rights in another reorganization but declined to express any opinion. Tax International. believes because of such factors that it is more likely than not that the nontransferable subscription rights to purchase common stock will have no ascertainable value at the time the rights are granted. In addition, neither we nor Tax International. is aware of any instance where the IRS has determined that subscription rights of the type provided in our reorganization have any ascertainable value.

### **Restrictions on the Acquisition of XXXXX Bancorp and XXXXX Savings Bank**

Federal regulation, as well as provisions contained in the charter and bylaws of XXXXX Bancorp, restrict the ability of any person, firm or entity to acquire XXXXX Bancorp or its capital stock. These restrictions include the requirement that a potential acquirer of common stock obtain the prior approval of the Office of Thrift Supervision before acquiring in excess of 10% of the stock of XXXXX Bancorp.

The mutual holding company structure also could impede the acquisition of XXXXX Bancorp and XXXXX Savings Bank. XXXXX Mutual Holding Company, as the majority stockholder of XXXXX Bancorp, will be able to control the outcome of most matters presented to stockholders for their approval. Consequently, XXXXX Mutual Holding Company will generally be able to prevent any challenge to the ownership or control of XXXXX Bancorp.

In addition, the charter and bylaws of XXXXX Bancorp include a provision that would, for a period of five years from the completion of the reorganization, restrict the ability of any person other than XXXXX Mutual Holding Company from acquiring or offering to acquire the beneficial ownership of more than 10% of any class of equity security of XXXXX Bancorp. Because a majority of the shares of outstanding common stock of XXXXX Bancorp must be owned by XXXXX Mutual Holding Company, any acquisition of XXXXX Bancorp must be approved by XXXXX Mutual Holding Company. Further, certain benefit plans adopted by us in connection with the reorganization may discourage hostile takeover attempts of us and XXXXX Savings Bank. For further information, see *“Restrictions on Acquisition of XXXXX Bancorp and XXXXX Savings Bank and Related Anti-Takeover Provisions.”*

## **Possible Conversion of XXXXX Mutual Holding Company to Stock Form**

In the future, XXXXX Mutual Holding Company will have the ability to convert from the mutual to capital stock form, in a transaction commonly known as a “*second-step conversion*.” In a second-step conversion, members of XXXXX Mutual Holding Company would have subscription rights to purchase common stock of XXXXX Bancorp or its successor, and the public stockholders of XXXXX Bancorp would be entitled to exchange their shares of common stock for an equal percentage of shares of the converted XXXXX Mutual Holding Company. The percentage may be adjusted to reflect any assets owned by XXXXX

Mutual Holding Company. Our public stockholders, therefore, would own approximately the same percentage of the resulting entity as they owned prior to the second-step conversion. The board of directors has no current plan to undertake a “*second-step conversion*” transaction.

## **Stock Information Center**

If you have any questions regarding the offering or the reorganization, please call the Stock Information Center at \_\_\_-\_\_\_-\_\_\_ (local) or 866-\_\_\_-\_\_\_ (toll-free). You may also visit our Stock Information Center, which is located at our corporate office, street, Our City, United States. Only this location will accept stock order forms and proxy cards, and will have supplies of offering materials. The Stock Information Center is open Monday through Friday, except for bank holidays, from 10:00 a.m. to 4:00 p.m., Eastern time.

**To ensure that you receive a prospectus at least 48 hours before the offering deadline, we may not mail prospectuses any later than five days prior to the offering deadline or hand-deliver any prospectus later than two days prior to the offering deadline. Stock order forms may only be distributed with or preceded by a prospectus. We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights are expected to expire at 12:00 noon, Eastern time, on \_\_\_\_\_, 2008, regardless of whether have been able to locate each person entitled to subscription rights.**

## **RISK FACTORS**

**In addition to all other information in this document, you should consider carefully the following risk factors in deciding whether to purchase our common stock.**

### *Risks Related to Our Business*

#### **Our Portfolio of Loans with a Higher Risk of Loss is Increasing**

Our business strategy in recent years has included the increased originations of commercial real estate and construction and development loans. These loans have a higher risk of default and loss than single-family residential mortgage loans. The aggregate amount of our commercial real estate and construction and development loans has increased from \$57.1 million, or 19.2% of our total loans, at September 30, 2003 to \$167.4 million, or 35.0% of our total loans, at September 30, 2007. Commercial real estate and construction and development loans generally are considered to involve a higher degree of risk due to a variety of factors, including generally larger loan balances and loan terms which often do not require full amortization of the loan over its term and, instead, provide for a balloon payment at the stated maturity date. Repayment of commercial real estate loans generally is dependent on income being generated by the rental property or underlying business in amounts sufficient to cover operating expenses and debt service. Repayment of construction and development loans generally is dependent on the successful completion of the project and the ability of the borrower to repay the loan from the sale of the property or obtaining permanent financing.

#### **Higher Interest Rates Would Hurt Our Profitability**

Our ability to earn a profit depends on our net interest income, which is the difference between the interest income we earn on our interest-earning assets, such as mortgage loans and investment securities,

and the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings. Our profitability depends on our ability to manage our assets and liabilities during periods of changing interest rates.

A sustained increase in market interest rates could adversely affect our earnings. A significant portion of our loans have fixed interest rates and longer terms than our deposits and borrowings and our net interest income could be adversely affected if the rates we pay on deposits and borrowings increase more rapidly than the rates we earn on loans. In addition, the market value of our fixed-rate assets would decline if interest rates increase. For example, we estimate that as of September 30, 2007, a 200 basis point increase in interest rates would have resulted in our net portfolio value declining by approximately \$15.4 million or 30.0%. Net portfolio value is the difference between incoming and outgoing discounted cash flows from assets, liabilities and off-balance sheet contracts. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – How We Manage Market Risk.*”

### **Increases in Market Rates of Interest Could Adversely Affect Our Equity**

At September 30, 2007, we held approximately \$29.1 million in available-for-sale securities, representing 5.3% of our total assets. Generally accepted accounting principles require that these securities be carried at fair value on our balance sheet. Unrealized holding gains or losses on these securities, that is, the difference between the fair value and the amortized cost of these securities, net of deferred taxes, is reflected in our equity. Movements in interest rates, either increasing or decreasing, can impact the value of our available-for-sale securities portfolio.

As of September 30, 2007, our available-for-sale securities portfolio had a net unrealized loss of approximately \$460,000. The decrease in the fair value of our available-for-sale securities affects our equity because it causes an increase in accumulated other comprehensive loss, which is a component of total equity.

### **If Our Allowance for Loan Losses is Not Sufficient to Cover Actual Loan Losses, Our Earnings Could Decrease**

Our loan customers may not repay their loans according to their terms, and the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. Since we must use assumptions regarding individual loans and the economy, our current allowance for loan losses may not be sufficient to cover actual loan losses, and increases in the allowance may be necessary. In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize loan charge-offs. At September 30, 2007, our allowance for loan losses was equal to 0.97% of our loans held in portfolio.

### **The Loss of Senior Management Could Hurt Our Operations**

We rely heavily on our executive officers, , , and . The loss of one or more members of senior management could have an adverse effect on us because, as a relatively small community bank, our senior executive officers have more responsibility than would be typical at a larger financial institution with more employees. In addition, we have fewer management-level personnel who are in a position to assume the responsibilities of our senior executive officers. We intend to enter into employment agreements with , , and , although we currently do not have employment agreements with any of our executive officers. For further discussion, see “*Our Management – Proposed Employment Agreements.*”

### **Strong Competition Within Our Market Area Could Hurt Our Profits and Slow Growth**

We face intense competition in making loans, attracting deposits and hiring and retaining experienced employees. This competition has made it more difficult for us to make new loans and attract deposits. Price competition for loans and deposits sometimes results in us charging lower interest rates on

our loans and paying higher interest rates on our deposits, which reduces our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. At June 30, 2007, which is the most recent date for which data is available from the FDIC, we held 4.7% of the deposits in County, United States. Some of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon our continued ability to compete successfully in our market area.

### **Our Loans are Concentrated to Borrowers in Our Market Area**

The preponderance of our total loans are to individuals and/or secured by properties located in our market area in County, United States and neighboring areas in southeastern United States. We have relatively few loans outside of our market. As a result, we have a greater risk of loan defaults and losses in the event of an economic downturn in our market area as adverse economic changes may have a negative effect on the ability of our borrowers to make timely repayment of their loans. Additionally, a decline in local property values could adversely affect the value of property used as collateral. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values to satisfy the debt, our earnings and capital could be adversely affected.

### *Risks Related to an Investment in Our Common Stock*

### **XXXXX Mutual Holding Company Will Own a Majority of Our Outstanding Common Stock and Will Be Able to Control the Result of Most Matters Put to a Vote of Our Stockholders**

Purchasers of our common stock in the offering will be minority stockholders of XXXXX Bancorp. XXXXX Mutual Holding Company will own a majority of our common stock after the reorganization, and, through its board of directors, will be able to exercise voting control over most matters put to a vote of our stockholders. The same directors and officers who manage XXXXX Bancorp and XXXXX Savings Bank also will manage XXXXX Mutual Holding Company. No assurances can be given that we or XXXXX Mutual Holding Company will not take action which the minority stockholders believe to be contrary to their interests. For example, we or XXXXX Mutual Holding Company could revise XXXXX Savings Bank's dividend policy, prevent a sale or merger transaction or defeat a candidate for XXXXX Bancorp's board of directors or other proposals put forth by the minority stockholders. Moreover, XXXXX Mutual Holding Company's ownership of a majority of the outstanding shares of our common stock is likely to perpetuate existing management and directors.

### **Our Low Return on Equity May Cause Our Common Stock Price to Decline**

Net income divided by average equity, known as "return on equity," is a ratio many investors use to compare the performance of a financial institution to its peers. Our return on average equity amounted to 5.7% and 8.1%, for fiscal 2007 and 2006, respectively. These returns are significantly lower than returns on equity for many comparable publicly traded companies. We expect our return on equity to decrease in view of our expected capital level upon completion of the reorganization unless and until we are able to increase significantly our interest-earning assets. The net proceeds from the reorganization and the offering, which may be as much as \$38.4 million, will significantly increase our shareholders' equity. On a pro forma basis and based on net income for the year ended September 30, 2007, our return on equity, assuming shares are sold at the maximum of the offering range, would be approximately 3.45%. Based on trailing 12-month data for the most recent publicly available financial information, the ten companies comprising our peer group in the independent appraisal prepared by Braxton Consulting and all publicly traded mutual holding companies had average returns on equity of 3.56% and 2.93%, respectively.

### **Our Stock Value May Suffer from Anti-Takeover Provisions That May Impede Potential Takeovers That Management Opposes**

Provisions in our corporate documents, as well as certain federal regulations, may make it difficult and expensive to pursue a tender offer, change in control or takeover attempt that our board of directors

opposes. As a result, our stockholders may not have an opportunity to participate in such a transaction, and the trading price of our stock may not rise to the level of other institutions that are more vulnerable to hostile takeovers. Anti-takeover provisions contained in our corporate documents include:

- restrictions on acquiring more than 10% of the aggregate shares of common stock held by persons other than XXXXX Mutual Holding Company for five years and limitations on voting rights;
- the election of members of the board of directors to staggered three-year terms;
- the absence of cumulative voting by stockholders in the election of directors;
- provisions restricting the calling of special meetings of stockholders; and
- our ability to issue preferred stock and additional shares of common stock without stockholder approval.

See “*Restrictions on Acquisition of XXXXX Bancorp and XXXXX Savings Bank and Related Anti-Takeover Provisions*” for a description of anti-takeover provisions in our corporate documents and federal regulations.

### **Our Stock Value May Suffer From Federal Regulations Restricting Takeovers**

For three years following the reorganization, Office of Thrift Supervision regulations prohibit any person from acquiring or offering to acquire more than 10% of our common stock without the prior written approval of the Office of Thrift Supervision. In addition, the Federal stock charter of XXXXX Bancorp provides that, for a period of five years from completion of the reorganization and offering, no person may acquire a number of shares of common stock in excess of 10% of all shares held by stockholders other than XXXXX Mutual Holding Company. Accordingly, the range of potential acquirors for XXXXX Bancorp will be limited which will correspondingly reduce the likelihood that stockholders will be able to realize a gain on their investment through an acquisition of XXXXX Bancorp. See “*Restrictions on Acquisition of XXXXX Bancorp and XXXXX Savings Bank and Related Anti-Takeover Provisions - Regulatory Restrictions*” for a discussion of applicable Office of Thrift Supervision regulations regarding acquisitions.

### **Office of Thrift Supervision Policy on Remutualization Transactions Could Prohibit the Merger or an Acquisition of Us, Which may Lower Our Stock Price**

Current Office of Thrift Supervision policies only permit a mutual holding company to be acquired by another mutual holding company or by a mutual institution in a process referred to as a remutualization. The possibility of a remutualization transaction has recently resulted in a degree of takeover speculation for mutual holding companies which is reflected in the stock prices of mutual holding companies. However, the Office of Thrift Supervision has issued a policy statement indicating that it views remutualization transactions as raising significant issues concerning disparate treatment of minority stockholders and mutual members of the target entity as well as the effect on the mutual members of the acquiring entity. Under certain circumstances, the Office of Thrift Supervision intends to give these issues special scrutiny and reject applications for the remutualization of a mutual holding company unless the applicant can clearly demonstrate that the Office of Thrift Supervision’s concerns are not warranted in the particular case. Should the Office of Thrift Supervision prohibit or otherwise restrict these transactions in the future, our stock price may be adversely affected. We have no current plans to undertake a remutualization transaction.

### **Our Employee Stock Benefit Plans Will Increase Our Costs**

We anticipate that our employee stock ownership plan will purchase 3.92% of the common stock to be outstanding with funds borrowed from us. The cost of acquiring the employee stock ownership plan shares will be between \$2.3 million at the minimum of the offering range and \$3.6 million at the adjusted

maximum of the offering range assuming the shares are purchased in the offering at a price of \$10.00 per share. If the employee stock ownership plan acquires shares in the open market the price paid may be more than \$10.00 per share. We will record annual employee stock ownership plan expenses in an amount equal to the fair value of shares committed to be released to employees in any given year. If shares of common stock appreciate in value over time, compensation expense relating to the employee stock ownership plan will increase. We also intend to submit a stock recognition and retention plan and a stock option plan to our stockholders for approval at least six months after completion of the reorganization. Our officers and directors could be awarded (at no cost to them) under the restricted stock plan up to an aggregate of 1.96% of the shares to be outstanding and options up to an aggregate of 4.9% of the shares to be outstanding. In the first year following the reorganization and offering, employee benefit expenses are expected to increase by \$599,000 at the maximum of the offering range due to costs associated with the employee stock ownership plan, stock recognition and retention plan and stock option plan. See “*Unaudited Pro Forma Data*” for a discussion of the increased benefit costs we will incur after the reorganization and how these costs could decrease our return on equity.

### **Our Recognition and Retention Plan and Stock Option Plan May Be Dilutive**

If the reorganization is completed and shareholders subsequently approve a stock recognition and retention plan and a stock option plan, we will allocate stock to our officers, employees and directors through these plans. If the shares for the stock recognition and retention plan are issued from our authorized but unissued stock, the ownership percentage of outstanding shares of XXXXX Bancorp could be diluted by approximately 1.9%. However, it is our intention to repurchase shares of our common stock in the open market to fund the stock recognition and retention plan. Assuming the shares of common stock to be awarded under the stock recognition and retention plan are repurchased at a price equal to the offering price in the offering, the reduction to shareholders’ equity from the stock recognition and retention plan would be between (those shareholders other than XXXXX Mutual Holding Company) \$1.2 million and \$1.8 million at the minimum and the maximum, as adjusted, of the offering range. The ownership percentage of XXXXX Bancorp public shareholders (those shareholders other than XXXXX Mutual Holding Company) would also decrease by approximately 4.7% if all potential stock options under our proposed stock option plan are exercised and shares are issued from authorized but unissued stock, assuming the offering closes at the maximum of the offering range. On a combined basis, if authorized but unissued shares of our common stock was the source of shares for both the recognition and retention plan and the stock option plan, the interests of public shareholders would be diluted by approximately 6.4%. See “*Unaudited Pro Forma Data*” for data on the dilutive effect of the stock recognition and retention plan and the stock option plan and “*Our Management - New Stock Benefit Plans*” for a description of the plans.

### **Our \$10.00 Per Share Offer Price, which is Based on An Independent Appraisal by Braxton Consulting, May Not Be Indicative of the Market Price for Our Common Stock In the Future, Which May be Higher or Lower**

There can be no assurance that shares of our common stock will be able to be sold in the market at or above the \$10.00 per share initial offering price in the future. The final aggregate purchase price of the common stock in the offering will be based upon an independent appraisal. The appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The valuation is based on estimates and projections of a number of matters, all of which are subject to change from time to time. See “*The Reorganization and Offering - How We Determined the Price Per Share and the Offering Range*” for the factors considered by Braxton Consulting in determining the appraisal.

### **Our Stock Price May Decline When Trading Commences**

We cannot guarantee that if you purchase shares in the offering that you will be able to sell them at or above the \$10.00 purchase price. The trading price of the common stock will be determined by the marketplace, and will be influenced by many factors outside of our control, including prevailing interest rates, investor perceptions, securities analyst research reports and general industry, geopolitical and economic conditions. Publicly traded stock, including stocks of financial institutions, often experience substantial market price volatility. These market fluctuations might not be related to the operating performance of particular companies whose shares are traded.

### **There May Be a Limited Market For Our Common Stock, Which May Adversely Affect Our Stock Price**

Although we have applied to have our shares of common stock traded on the Nasdaq Global Market, there is no guarantee that the shares will be actively traded. If an active trading market for our common stock does not develop, you may not be able to sell all of your shares of common stock in an efficient manner and the sale of a large number of shares at one time could temporarily depress the market price. There also may be a wide spread between the bid and asked price for our common stock. When there is a wide spread between the bid and asked price, the price at which you may be able to sell our common stock may be significantly lower than the price at which you could buy it at that time.

### **We Intend to Remain Independent Which May Mean You Will Not Receive a Premium for Your Common Stock**

We intend to remain independent for the foreseeable future. Because we do not plan on seeking possible acquirors, it is unlikely that we will be acquired in the foreseeable future. Accordingly, you should not purchase our common stock with any expectation that a takeover premium will be paid to you in the near term.

#### *Risks Related to the Formation of a Charitable Foundation*

### **Our Contribution to the XXXXX Charitable Foundation May or May Not Be Tax Deductible, Which Could Reduce Our Profits**

We believe that our contribution to XXXXX Charitable Foundation, valued at \$1.6 million, pre-tax, at the maximum of the offering range, will be deductible for federal income tax purposes. However, the Internal Revenue Service may not grant tax-exempt status to the charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. In addition, even if the contribution is tax deductible, we may not have sufficient profits to be able to use the deduction fully. In the event it is more likely than not that we will be unable to use the entire deduction, we will be required to establish a valuation allowance related to any deferred tax asset that has been recorded for this contribution.

### **Our Contribution to the XXXXX Charitable Foundation Will Reduce Our Profits for Fiscal Year 2008**

XXXXX Bancorp intends to contribute 161,000 shares of XXXXX Bancorp's common stock to XXXXX Charitable Foundation at the maximum of the offering range. This contribution will be an additional operating expense and will reduce net income during the fiscal year in which the foundation is established, which is expected to be the year ending September 30, 2008. Based on the pro forma assumptions, at the maximum of the offering range, the contribution to XXXXX Charitable Foundation would reduce net earnings by \$990,150 after tax, in fiscal year 2008. See "*Pro Forma Data.*"