Board of Directors  
Coastway Community Bank  
One Coastway Plaza  
Cranston, Rhode Island 02910  

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization with the organization of interim institution and a merger to facilitate a conversion from a mutual to stock form filed on behalf of Coastway Community Bank (Bank) was reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC’s regulations at 12 C.F.R. Sections 303.160 – 303.163 and other pertinent FDIC regulations. Based on the information presented and the representations made, the FDIC poses no objection to the proposed transactions.

Enclosed is our Order and Basis for Corporation Approval (Order) for the deposit insurance and merger applications filed on behalf of the Bank in connection with the mutual-to-stock conversion. Our approval is subject to the conditions stated in the Order, some of which must be met on an ongoing basis.

Please notify the New York Regional Office in writing when the proposed transaction has been consummated. If an extension of the time limit included in the Order is required, a letter requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to the New York Regional Office.

Sincerely,

/s/

Doreen R. Eberley  
Senior Deputy Director  
Division of Risk Management Supervision
cc: Mr. Kevin Handly
    Pierce Atwood, LLP
    100 Summer Street #2250
    Boston, MA 02110

    Joseph Torti III
    Deputy Director & Superintendent of Banking
    Rhode Island Department of Business Regulation
    1511 Pontiac Avenue
    Cranston, RI 02920

    Mr. Scott Chu
    Lead Analyst – Applications
    Federal Reserve Bank of Boston
    600 Atlantic Avenue
    Boston, MA 02210
FEDERAL DEPOSIT INSURANCE CORPORATION

Coastway Community Bank
Cranston, Rhode Island

Applications for Federal Deposit Insurance and Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 5 of the Federal Deposit Insurance (FDI) Act, an application has been filed for federal deposit insurance for Coastway Interim Bank, a proposed interim, Rhode Island-chartered, stock savings bank. In addition, pursuant to Section 18(c) of the FDI Act, an application for consent to merge with Coastway Interim Bank has been filed on behalf of Coastway Community Bank, Cranston, Rhode Island (Mutual Institution), currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total assets of $345,518,000 and total deposits of $311,090,000 as of September 30, 2012.

The purpose of these applications is to obtain the FDIC approval necessary to effect the Mutual Institution’s plan of reorganization which, solely to facilitate such undertaking, provides for:

- The Mutual Institution will organize a de novo Rhode Island-chartered mutual holding company to be known as Coastway Bancorp, MHC (MHC);

- The Mutual Institution will organize Coastway Bancorp, LLC, a Rhode Island-chartered limited liability company as a wholly owned subsidiary of MHC;

- The Mutual Institution will organize Coastway Interim Bank, a de novo interim Rhode Island-chartered stock savings bank (Coastway Interim Bank); and

- The Mutual Institution will merge with and into Coastway Interim Bank, with Coastway Interim Bank as the resulting subsidiary savings bank, and assuming the name Coastway Community Bank (Resultant Bank).

Upon consummation of the reorganization, the deposits of the Resultant Bank will continue to be insured under the DIF. On the effective date of the reorganization, the Resultant Bank will be a stock bank that is wholly owned by Coastway Bancorp, LLC, which will be wholly owned by Coastway Bancorp, MHC.

Applications establishing Coastway Bancorp, MHC, and Coastway Bancorp LLC, as bank holding companies were approved by the Federal Reserve Bank of Boston on June 4, 2012. Additionally, on September 4, 2012, the Rhode Island Department of Business Regulation approved the formation of Coastway Bancorp, MHC and Coastway Interim Bank.

Following consummation of the merger, Resultant Bank will operate the same banking business, with the same management, at the same locations now being served by the Mutual Institution. The proposed transaction will not alter the competitive structure of banking in the market served
by the Mutual Institution. The Resultant Bank’s main office will be located at One Coastway Plaza, Cranston, Rhode Island, the same main office as that of the Mutual Institution.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of the proponent, disclosed no inconsistencies with the purposes of the CRA. The Resultant Bank is expected to meet the credit needs of its community, consistent with the safe and sound operation of the institution.

In connection with the merger application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent bank and the Resultant Bank, the convenience and needs of the community to be served, and the effect of the proposed transaction on competition. The FDIC also has taken into consideration the effectiveness of the insured depository institutions involved in the proposed merger transaction in combating money-laundering activities, and the risk posed by the transaction to the stability of the U.S. banking or financial system.

In addition, the FDIC has fully considered all available facts and information relevant to the factors of Section 6 of the FDI Act relating to the application for federal deposit insurance for Coastway Interim Bank.

Having found favorably on all statutory factors, it is the FDIC’s judgment that the applications for Consent to Merge and for federal deposit insurance are hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That, except for the proposed transfer of stock to Coastway Bancorp, LLC, no shares of the stock of Coastway Community Bank shall be sold, transferred or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to, and non-objection is received from, the FDIC New York Regional Director;

2. That, prior to a sale, transfer or other disposition of any shares of Coastway Bancorp, LLC, by Coastway Bancorp, MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of Coastway Bancorp, MHC, to stock form, Coastway Community Bank must provide written notification to the FDIC New York Regional Director, and provide copies of all documents filed with the state and Federal banking and/or securities regulators in connection with any sale, transfer, disposition or conversion;

3. That, prior to the sale, transfer, or other disposition of any shares of Coastway Community Bank by Coastway Bancorp, LLC, or any ownership interest in Coastway Bancorp, LLC, by Coastway Bancorp, MHC, to any persons (including any Employee Stock Ownership Plan) through a public offering, Coastway Community Bank’s eligible depositors must have the opportunity to vote to approve the transaction in accordance with Rhode Island law;

4. That, should any shares of stock of Coastway Community Bank or ownership interest in Coastway Bancorp, LLC, be issued to persons other than Coastway Bancorp, LLC, and Coastway Bancorp, MHC, any dividends waived by Coastway Bancorp, MHC, must be
retained by Coastway Bancorp, LLC, or Coastway Community Bank and segregated, earmarked or otherwise identified on the appropriate entity’s books and records; such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of Coastway Bancorp, MHC, to stock form; such amounts must not be available for payment to or the value thereof transferred to minority shareholders, by any means including through dividend payments or at liquidation;

5. That, any change in senior executive officers, including the board of directors, prior to the consummation of the proposed transaction, will render this approval null and void unless such change is approved by the FDIC Boston Area Director prior to the consummation of the proposed transaction;

6. That, for a period of three (3) years after the close of the proposed transaction, any material deviation from the business plan, will require prior approval of the FDIC Boston Area Director prior to implementation of such material deviation;

7. The FDIC retains the right to alter, suspend, or withdraw its approval should any interim development require said action before consummation of the proposed transaction;

8. That all necessary and final approvals from the appropriate federal and/or state authorities have been received; and

9. That the proposed transaction may not be consummated later than six months after the date of this Order unless such period is extended for good cause by the FDIC.

Pursuant to the delegated authority of the FDIC Board of Directors.

Dated at Washington, D.C. this 26th day of December 2012.

/s/

Dorothy R. Eberley
Senior Deputy Director
Division of Risk Management Supervision