



Federal Deposit Insurance Corporation

550 17th St. NW Washington DC, 20429

Division of Risk Management Supervision

February 12, 2016

CERTIFIED – RETURN RECEIPT REQUESTED

Hometown Bank, A Cooperative Bank
31 Sutton Avenue
Oxford, Massachusetts 01540

Dear Members of the Board:

The FDIC has received Hometown Bank's (Bank) October 21, 2015, notice of the proposed mergers of Hometown Community Bancorp, MHC with and into ESB Bancorp, MHC and Hometown Community Bancorp, Inc. with and into ESB Bancorp, Inc. In connection with these transactions, 100 percent of the Bank's stock is proposed to be transferred from Hometown Community Bancorp, Inc. to ESB Bancorp, Inc., such that the Bank would become a wholly-owned subsidiary of ESB Bancorp, Inc. The Bank has requested the FDIC's nonobjection to the proposed transfer of stock in accordance with conditions in the Order dated December 24, 2013 (Order) authorizing the Bank's reorganization into the MHC structure. In connection with this request, by letter dated October 21, 2015 ESB Bancorp, MHC made the following commitment to the FDIC:

ESB [Bancorp,] MHC hereby confirms that the rights and preferences of depositors of Hometown Bank will be unchanged as a result of the consummation of the proposed merger, in accordance with the provisions of the Charter of ESB [Bancorp,] MHC. ESB [Bancorp,] MHC will be the surviving/resulting corporation as a result of the merger, and its Charter provides, in relevant part, as follows:

'All existing and future depositors of any other subsidiary bank that is acquired by the Corporation in the future and is in the mutual form or organization when so acquired shall have the same liquidation rights in the Corporation under said Chapter 167H, Section 2 as were conferred upon depositors of such acquired bank immediately prior to such acquisition, provided that if such acquired bank is merged into another subsidiary bank from which the Corporation draws members, the depositors of such acquired bank shall receive the same liquidation rights as the depositors of the subsidiary bank into which such acquired bank is merged.'

Based on the review and consideration of the Bank's request, ESB Bancorp, MHC's commitment, and all relevant information, the FDIC does not object to the transfer of shares of Hometown Bank to ESB Bancorp, Inc.

Hometown Bank will remain subject to the Order, as modified to reflect that ESB Bancorp, MHC will operate under the name Hometown Financial Group, MHC, and the resulting mid-tier stock holding company will operate under the name Hometown Financial Group, Inc.

Enclosed is our Modified Order and Basis for Corporation Approval (Modified Order), reflecting the new names of the acquiring entities and the Bank's commitments related to the proposed charitable foundation. Our approval is subject to the conditions stated in the Modified Order.

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

Sincerely,

/s/

James C. Watkins
Senior Deputy Director

FEDERAL DEPOSIT INSURANCE CORPORATION

Hometown Bank, A Cooperative Bank
Oxford, Worcester County, Massachusetts

Applications for Federal Deposit Insurance and Consent to Merge

MODIFIED ORDER AND BASIS FOR CORPORATION APPROVAL

On March 28, 2013, pursuant Section 18(c) of the Federal Deposit Insurance (FDI) Act, Hometown Bank, A Cooperative Bank, Oxford, Massachusetts (Mutual Institution), a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of \$360,662,000 and total deposits of \$308,018,000 as of September 30, 2013, filed an application for the FDIC's consent to merge with Hometown Interim Stock Bank, Webster, Massachusetts, a then proposed new interim, state-chartered stock cooperative bank. Applications were filed for Federal deposit insurance for an interim Massachusetts-chartered mutual cooperative bank (Hometown De Novo Cooperative Bank), which was reorganized into a mutual holding company (MHC) and Hometown Interim Stock Bank. The FDIC approved the Mutual Institution's applications for Federal deposit insurance and consent to merge in an Order and Basis for Corporation Approval (2013 Order) on December 24, 2013.

In 2016, Hometown Community Bancorp, MHC will merge with and into ESB Bancorp, MHC, and Hometown Community Bancorp, Inc. will merge with and into ESB Bancorp, Inc. The resulting entities will be named Hometown Financial Group, MHC and Hometown Financial Group, Inc., respectively. As part of the transactions, 100 percent of Hometown Bank's voting stock will be transferred to ESB Bancorp, Inc. (to be known as Hometown Financial Group, Inc.). Condition One of the 2013 Order provided that no shares of the stock of Hometown Bank shall be sold, transferred or otherwise disposed of unless prior notice is provided to, and nonobjection is received from, the FDIC Boston Area Office Director. A request for non-objection to the proposed transfer of shares was filed with the FDIC on October 21, 2015, and FDIC's nonobjection was issued on February 12, 2016. Consequently, Conditions One through Three of the 2013 Order are modified, as indicated below, solely to substitute the names of Hometown Financial Group, MHC and Hometown Financial Group, Inc. and recognize the organization of a charitable foundation, and new Condition Eight is added below to restrict such foundation's ability to vote any shares of Hometown Bank, Easthampton Savings Bank or Hometown Financial Group, MHC in the future. Conditions Four through Seven of the 2013 Order are restated below, and remain in effect as of the date of the 2013 Order.

1. That, except for the proposed transfer of stock to ESB Bancorp, Inc. (to be known as Hometown Financial Group, Inc.), no shares of the stock of Hometown Bank shall be sold, transferred or otherwise disposed of, to any person (including any Employee Stock Ownership Plan or charitable foundation) unless prior notice is provided to, and nonobjection is received from the FDIC Boston Area Office Director.
2. That, prior to a sale, transfer or other disposition of any shares of Hometown Financial Group, Inc. by ESB Bancorp, MHC (to be known as Hometown Financial Group, MHC) to any person (including any Employee Stock Ownership Plan) or a conversion of Hometown Financial Group, MHC to stock form, Hometown Bank will

provide written notification to the FDIC Boston Area Office Director and provide him with copies of all documents filed with the state and Federal banking and/or securities regulators in connection with any sale, transfer, disposition or conversion.

3. That, should any shares of Hometown Bank or Hometown Financial Group, Inc. be issued to persons other than Hometown Financial Group, MHC, any dividends waived by Hometown Bancorp, MHC must be retained by Hometown Financial Group, Inc. or Hometown Bank and segregated, earmarked or otherwise identified on its books and records; such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of Hometown Financial Group, MHC to stock form; such amounts shall not be available for payment to or value thereof transferred to minority shareholders, by any means including through dividend payments or at liquidation.
4. That, except with regard to the announced resignation of President and Chief Executive Officer Matthew S. Sosik and the planned appointment of Senior Vice President Michael D. Hewitt to fill the position of interim president and chief executive officer, any change in proposed 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 proposal is approved by the FDIC prior to the consummation of the proposed transaction.
5. 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 Office Director prior to implementation of such material deviation from the business plan;
6. 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;
7. That, until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action; and

8. That, to the extent that Hometown Bank organizes a charitable foundation and such foundation subsequently controls any shares of Hometown Bank, Easthampton Savings Bank, or any shares of a Hometown Financial Group, MHC issued as part of a conversion of that entity, the charitable foundation must vote any such shares in the same ratio as all other shares voted on each proposal considered by shareholders.

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

Dated at Washington, D.C. this 12th day of February, 2016.

/s/

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