

# **PUBLIC DISCLOSURE**

January 22, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Eastern Bank  
Certificate Number: 32773

265 Franklin Street  
Boston, Massachusetts 02110

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

Institution Rating	
Overall Rating .....	1
Performance Test Ratings Table .....	1
Summary of Major Factors Supporting Rating .....	1
Institution	
Scope of Evaluation .....	3
Description of Institution .....	6
Description of Assessment Area .....	9
Conclusions on Performance Criteria .....	17
Multistate Metropolitan Area – Boston-Cambridge-Newton, Massachusetts-New Hampshire Metropolitan Statistical Area (MSA)	
Multistate Metropolitan Area Rating .....	44
Scope of Evaluation .....	44
Description of Institution’s Operations .....	44
Conclusions on Performance Criteria .....	47
State – Massachusetts (MA)	
State Rating .....	58
Scope of Examination .....	58
Description of Operations .....	58
Conclusions on Performance Criteria .....	60
Barnstable Town, MA MSA	
Description of Institution’s Operations .....	70
Conclusions on Performance Criteria .....	71
Providence-Warwick, Rhode Island (RI)-MA MSA	
Description of Institution’s Operations .....	81
Conclusions on Performance Criteria .....	82
State – New Hampshire (NH)	
State Rating .....	88
Scope of Examination .....	88
Description of Operations .....	88
Conclusions on Performance Criteria .....	90
Manchester-Nashua, NH MSA	
Description of Institution’s Operations .....	100
Conclusions on Performance Criteria .....	101

Non-Metropolitan NH Statewide Area (Non-MSA)	
Description of Institution's Operations.....	111
Conclusions on Performance Criteria .....	112
Appendix	
Scope of Evaluation .....	121
Summary of State and Multistate Metropolitan Area Ratings.....	121
Division of Banks Fair Lending Policies and Procedures .....	122
Glossary .....	123

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding** by the Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC). An institution in this group has an outstanding record of helping meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Satisfactory*			
Needs to Improve			
Substantial Noncompliance			

*\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

*\*\* FDIC rules and regulations stipulate use of a "high satisfactory" and "low satisfactory" rating for the three tests. This jointly issued public evaluation uses the term "satisfactory" in lieu of "low satisfactory" for the Lending, Investment, and Service Test ratings, as the Division does not have a "low Satisfactory" rating.*

### **The Lending Test is rated Outstanding.**

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- A substantial majority of loans are in the institution's assessment areas.
- The geographic distribution of loans reflects excellent penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size.
- The institution makes extensive use of innovative and/or flexible lending practices in order to meet assessment area needs.

- The institution is a leader in making community development loans.

**The Investment Test is rated Outstanding.**

- The institution has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits excellent responsiveness to credit and community economic development needs.
- The institution makes significant use of innovative and/or complex investments to support community development initiatives.

**The Service Test is rated Outstanding.**

- Delivery systems are readily accessible to all portions of the institution's assessment area.
- To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services do not vary in a way that inconveniences certain portions of the assessment areas, particularly the low- and moderate-income geographies and/or individuals.
- The institution is a leader in providing community development services.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation, conducted jointly by the FDIC and Division, covers the period from the prior evaluation dated September 15, 2014, to the current evaluation dated January 22, 2018.

Examiners used the Interagency Large Institution Examination Procedures to evaluate Eastern Bank's Community Reinvestment Act (CRA) performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test.

The Lending Test considered the institution's performance according to the following criteria.

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative and flexible lending practices
- Community development loans

The Investment Test considered the following criteria.

- Number and dollar amount of qualified investments
- Responsiveness to credit and community development needs
- Innovativeness or complexity of qualified investments

The Service Test considered the following criteria.

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- Community development services

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating small business loans contributed more weight to overall conclusions due to the larger volume of originations during the evaluation period when compared to home mortgage lending. Additionally, commercial loans account for the largest portion of the bank's loan portfolio by dollar amount at 49.1 percent. No other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, analysis of these types of loans did not provide any material support for conclusions or ratings and are not presented.

This evaluation considered all small business loans reported on the bank's 2015 and 2016 CRA Loan Registers. A small business loan has an original loan amount of \$1 million or less and is secured by either non-farm non-residential properties or is classified as a commercial and industrial loan. In 2015, the bank reported 3,780 originations totaling \$576.8 million. In 2016, the bank reported 3,731 originations totaling \$568.2 million. Aggregate data from 2015 and 2016 provided a standard of comparison and examiners considered trends based on 2015 and 2016 D&B data.

This evaluation also considered all home mortgage originations reported on the bank's 2015 and 2016 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LAR). In 2015, the bank reported 2,808 originations totaling \$681.0 million. In 2016, the bank reported 3,068 originations totaling \$963.1 million. Aggregate data for 2015 and 2016 provided a standard of comparison for the bank's home mortgage loans. Examiners also considered trends based on demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number. Number better indicates the number of businesses and individuals served. The geographic distribution and borrower profile criteria only include analysis of loans extended within the assessment area. This evaluation does not include any lending activity performed by affiliates.

Examiners reviewed community development loans, investments and services, as well as innovative and/or flexible lending practices from the prior evaluation date of September 15, 2014, to the current evaluation date of January 22, 2018. Although the evaluation period spans into 2018, the bank did not consistently have data collected on community development loans, investments, services, or innovative and/or flexible lending practices for this time. Therefore, this analysis does not include 2018 data and 2017 data in some cases.

In addition to reviewing the bank's overall performance, the Interstate Banking and Branching Efficiency Act require separate discussions and ratings of CRA performance in each Multistate Metropolitan Area and each state in which the bank maintains a branch. The bank maintains 93 branches. Of these branches, 83 are in the Boston-Cambridge-Newton, MA-NH Multistate MSA (14460). The bank also maintains five branches in the Barnstable Town, MA MSA (12700) and one branch in the Providence-Warwick, RI-MA MSA (39300). Additionally, in NH, the bank maintains three branches in the Manchester-Nashua MSA (31700) and one branch in a Non-MSA area of Merrimack County. For evaluation purposes, examiners will evaluate and provide an overall CRA rating and ratings for the Multistate MSA, State of MA, and State of NH. Additionally, examiners will provide separate discussions for each assessment area where the bank has branches including the Multistate MSA; Barnstable Town, MA MSA; Providence-Warwick, RI-MA MSA, Manchester-Nashua, NH MSA, and the Non-MSA in NH. This evaluation will refer to these five assessment areas as the combined assessment area in the remainder of this document. The following table illustrates the distribution of small business and home mortgage loans in 2015 and 2016, deposit share, and the distribution of branches across each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Boston-Cambridge-Newton MSA	2,049,669	87.4	8,167,764	92.3	83	89.2
<b>Multistate MSA Subtotal</b>	<b>2,049,669</b>	<b>87.4</b>	<b>8,167,764</b>	<b>92.3</b>	<b>83</b>	<b>89.2</b>
Barnstable Town MSA	61,630	2.6	293,117	3.3	5	5.4
Providence-Warwick MSA	40,807	1.7	64,669	0.7	1	1.1
<b>Massachusetts Subtotal</b>	<b>102,437</b>	<b>4.4</b>	<b>357,786</b>	<b>4.0</b>	<b>6</b>	<b>6.5</b>
Manchester-Nashua MSA	163,287	7.0	273,572	3.1	3	3.2
Non-MSA Statewide Area	29,980	1.3	49,649	0.6	1	1.1
<b>New Hampshire Subtotal</b>	<b>193,267</b>	<b>8.2</b>	<b>323,221</b>	<b>3.7</b>	<b>4</b>	<b>4.3</b>
<b>Total</b>	<b>2,345,373</b>	<b>100.0</b>	<b>8,848,771</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>
<i>Source: Bank Records; FDIC Summary of Deposits (06/30/2017)</i> <i>Due to rounding, totals may not equal 100.0</i>						

Considering the significant majority of operations in the Multistate MSA, examiners assigned more weight to performance in this assessment area when arriving at overall ratings and conclusions. Although the MA assessment areas have a smaller percentage of loans by dollar, the number of originations during the evaluation period exceeds that extended in NH. Considering the MA assessment areas represent a larger share of deposits, branches, and number of small business and home mortgage originations, examiners assigned more weight to performance in this assessment area than the NH assessment area.

Eastern Bank has five assessment areas within the Multistate, MA, and NH rated areas. Examiners used full-scope procedures to analyze the bank's CRA performance within four of the five assessment areas. Examiners used limited-scope procedures for the Providence-Warwick, RI-MA MSA due to the limited number of small business and HMDA loans, deposits, and branches. Although the Non-MSA activity levels are similar to the Providence-Warwick MSA, the Non-MSA area is new since the last evaluation and examiners used full-scope procedures to analyze the bank's performance. The description of assessment areas section contains further information on the assessment area composition.



## **DESCRIPTION OF INSTITUTION**

### **Background**

Eastern Bank is a state-chartered mutually owned institution headquartered in Boston, MA. The bank operates throughout Eastern MA and southern and coastal NH. Eastern Bank is a wholly owned subsidiary of Eastern Bank Corporation, Inc., a one-bank holding company also located in Boston, MA. In addition, Eastern Bank has six subsidiaries including Eastern Insurance Group (EIG), Real Property Services, Inc., Eastern Labs LLC, Market Street Securities Corporation, Broadway Securities Corporation, and Shared Value Investments LLC. EIG is a full service insurance agency headquartered in Natick, MA. Real Property Services acquires and sells real property on the bank's behalf. The Eastern Labs, LLC subsidiary was dissolved in 2017. The two securities subsidiaries hold and acquire securities. Lastly, the bank created Shared Value Investments in 2015 to meet CRA needs by holding tax credit investments such as low- and moderate-income housing, renewable and alternative energy, and historic preservation and rehabilitation. Shared Value Investment wholly owns BCC Solar III Investment Fund.

Since the last evaluation, Eastern Bank merged with Centrix Bank & Trust (Centrix), a NH-chartered commercial bank. The merger became effective on October 24, 2014. Eastern Bank maintained Centrix's commercial strategy focusing primarily on small business and multi-family lending in NH. Additionally, in 2016, the bank decided to outsource mortgage operations to a third party. During the transition, the bank halted loan production on more complex loan types, including Mass Housing and Finance Housing Authority (FHA) loans. Nevertheless, the bank currently offers these products, including the more complex loans.

The institution received an "Outstanding" rating from the Division and the FDIC during its prior joint evaluation using Interagency Large Institution Examination Procedures.

### **Operations**

Eastern Bank provides credit, deposit accounts, and services to individuals, families, and businesses. Consumer lending products include home mortgage loans, Eastern's FlexEquity account, Mass Save HEAT loans, cash reserve lines of credit, automobile loans, personal loans, collateral installment loans, demand secured loans, Visa and American Express credit cards, and student loans. Additionally, Eastern Bank participates in state and federally guaranteed programs geared towards low- and moderate-income borrowers. On the commercial side, the bank offers preferred term loans, Small Business Association (SBA) loans, lines of credit, cash reserve loans, commercial real estate loans, Visa credit cards, asset based loans, and community development loans. Consumer and commercial deposit products include a range of checking, savings, money market, certificate of deposit accounts, and individual retirement accounts. The bank also offers wealth management services and insurance products. Alternative banking services include online bill pay, internet and mobile banking, automatic teller machines (ATMs), Talk2Teller, and a 24/7 telephone banking service. Additionally, the bank offers cash management and online foreign exchange services and other services including drive-up services at most branches.

The bank currently operates 93 branches and 16 standalone ATMs throughout Eastern MA and Southern NH. Since the previous CRA evaluation, the bank opened eight new branches. The bank acquired the Concord, Bedford, Dover, Manchester, Nashua, and Portsmouth, NH branches through the Centrix merger. The remaining two branches were opened in Revere and Lawrence, MA. The 8 new branches are in the Boston-Cambridge-Newton, MA-NH MSA (4); Manchester-Nashua, NH MSA (3); and the Non-MSA county of NH (1). By census tract income level, one is in a low-income census tract, two are in moderate-income census tracts, three are in middle-income census tracts, and two are in upper-income census tracts.

Eastern Bank relocated four branches and closed ten branches in MA since the prior CRA evaluation. The branch relocations occurred in Cambridge, Falmouth, Salem, and Quincy. The closed branches were in Canton, Chelmsford, Falmouth, Lowell, Lynnfield, Melrose, Peabody, Sandwich, Saugus, and West Roxbury. The closed branches were in the following MSA areas: Boston-Cambridge-Newton, MA-NH (8) and Barnstable Town, MA (2). By census tract income level, one was in a low-income census tract, one was in a moderate-income census tract, four were in middle-income census tracts, and four were in upper-income census tracts.

### **Ability and Capacity**

As of September 30, 2017, the bank had total assets of \$10.7 billion, which included total loans of \$8.2 billion or 76.6 percent of total assets. The bank's net loan-to-deposit ratio, as of the same date, was 91.4 percent.

Eastern Bank is primarily a commercial lender. Collectively, loans secured by non-farm non-residential properties and commercial and industrial loans represent 49.1 percent of the portfolio. Loans secured by 1-4 family residential properties and multi-family properties account for 35.0 percent of the portfolio. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 9/30/17</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	270,541	3.3
Secured by Farmland	0	0.0
1-4 Family Residential	2,265,052	27.8
Multi-family (5 or more) Residential	589,713	7.2
Secured by Non-farm Non-Residential	2,525,425	31.0
<b>Total Real Estate Loans</b>	<b>5,650,731</b>	<b>69.3</b>
Commercial and Industrial	1,478,864	18.1
Agricultural	0	0.0
Consumer	582,976	7.1
Obligations of State and Political Subdivisions in the United States	265,360	3.3
Other Loans	181,845	2.2
Less: Unearned Income	3,727	0.0
<b>Total Loans</b>	<b>8,156,049</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

There are no significant financial or legal impediments identified that would limit the bank's ability to help meet the credit or community development needs of its assessment areas.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Eastern Bank designated five separate contiguous assessment areas that meet the technical requirements of the regulation. Examiners analyzed the bank's performance within the combined assessment area and each individual assessment area. The five assessment areas include:

- Boston-Cambridge-Newton, MA-NH MSA
- Barnstable Town, MA MSA
- Providence-Warwick, RI-MA MSA
- Manchester-Nashua, NH MSA
- Non-MSA Statewide Area of NH

The following table details the assessment areas including the counties, and the number of census tracts and branches in each.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Multistate Boston-Cambridge-Newton MSA*	Essex, Middlesex, Norfolk, Plymouth, Suffolk (MA Counties) Rockingham and Strafford (NH Counties)	944	83
Barnstable Town MSA*	Barnstable	37	5
Providence-Warwick MSA**	Bristol	38	1
Manchester-Nashua MSA*	Hillsborough	69	3
NH Non-MSA*	Merrimack	24	1
<b>Total</b>		<b>1,112</b>	<b>93</b>
<i>Source: 2010 U.S. Census data and bank records</i>			
<i>*Full-scope procedures</i>			
<i>**Limited-scope procedures</i>			

Since the prior CRA evaluation, Eastern Bank adjusted its assessment area. Following the Centrix merger, Eastern Bank expanded its assessment area to include towns and cities in parts of the following NH counties: Rockingham County, Strafford County, Hillsborough County, and Merrimack County. The bank also added the towns of Pepperell and Dunstable, MA.

### **Economic and Demographic Data**

The combined assessment area includes 1,112 census tracts located throughout Essex, Middlesex, Norfolk, Plymouth, Suffolk, Barnstable, and Bristol Counties in MA and Rockingham, Strafford, Hillsborough, and Merrimack Counties in NH. The following details the combined assessment area by county.

## Combined Assessment Area Cities and Towns

*\*New since the last evaluation*

### Essex County, MA

Amesbury Town	Haverhill	Nahant	Salem
Andover	Ipswich	Newbury	Salisbury
Beverly	Lawrence	Newburyport	Saugus
Boxford	Lynn	North Andover	Swampscott
Danvers	Lynnfield	Methuen Town	Topsfield
Essex	Manchester-by-the-Sea	Middleton	Wenham
Georgetown	Marblehead	Peabody	West Newbury
Gloucester	Merrimac	Nahant	Topsfield
Groveland	Methuen Town	Rockport	
Hamilton	Middleton	Rowley	

### Middlesex County, MA

Acton	Dunstable*	Melrose	Tyngsborough
Arlington	Everett	Natick	Wakefield
Bedford	Framingham	Newton	Waltham
Belmont	Groton	North Reading	Watertown Town
Billerica	Lexington	Pepperell*	Wayland
Burlington	Lincoln	Reading	Westford
Cambridge	Littleton	Sherborn	Weston
Chelmsford	Malden	Stoneham	Winchester
Dracut	Medford	Tewksbury	Woburn

### Norfolk County, MA

Avon	Dedham	Needham	Stoughton
Braintree Town	Dover	Norwood	Walpole
Brookline	Foxborough	Quincy	Wellesley
Canton	Holbrook	Randolph	Westwood
Cohasset	Milton	Sharon	Weymouth Town

### Plymouth County, MA

Abington	Hanover	Marshfield	Rochester
Bridgewater	Hanson	Mattapoisett	Rockland
Brockton	Hingham	Middleborough	Scituate
Carver	Hull	Norwell	Wareham
Duxbury	Kingston	Pembroke	West Bridgewater
East Bridgewater	Lakeville	Plymouth	Whitman
Halifax	Marion	Plympton	

Suffolk County, MA

Boston	Chelsea	Reverse	Winthrop Town
--------	---------	---------	---------------

Barnstable County, MA

Barnstable Town	Mashpee	Sandwich
Bourne	Falmouth	Yarmouth

Bristol County, MA

Acushnet	Easton	Mansfield	Rehoboth
Berkley	Fairhaven	Norton	Taunton
Dighton	Freetown	Raynham	Rehoboth

Rockingham County, NH

Atkinson	Epping	Londonderry	Rye
Auburn	Exeter	Newington	Salem
Brentwood	Fremont	Newmarket	Sandown
Candia	Hampstead	Newton	Seabrook
Chester	Hampton	North Hampton	Stratham
Danville	Hampton Falls	Plaistow	Windham
Derry	Kensington	Portsmouth	
East Kingston	Kingston	Raymond	

Strafford County, NH

Barrington	Durham	Rochester	Somersworth
Dover	Madbury	Rollinsford	

Hillsborough County, NH

Amherst	Hollis	Manchester	New Boston
Bedford	Hudson	Merrimack	Pelham
Goffstown	Litchfield	Nashua	

Merrimack County, NH

Boscawen	Chichester	Hopkinton	Warner
Bow	Concord	Loudon	
Canterbury	Hooksett	Pembroke	

Towns in Essex County and Middlesex County are in the Cambridge-Newton, Framingham, MA Metropolitan Division (MD) (15764). Towns in Norfolk, Plymouth, and Suffolk Counties are in the Boston, MA MD (14454). Towns in the Rockingham and Strafford Counties are in the Rockingham County-Strafford County, NH MD (40484). All three MDs are part of the greater Boston-Cambridge-Newton, MA-NH MSA. Towns in Barnstable County are in the Barnstable Town, MA MSA. Towns in Bristol County are in the Providence-Warwick, MA-RI MSA. Lastly, towns in Hillsborough County are in the Manchester-Nashua, NH MSA, and the towns in Merrimack County, NH are in a Non-MSA part of the state.

The 1,112 census tracts reflect the following income designations according to the 2010 U.S. Census:

- 116 low-income tracts,
- 213 moderate-income tracts,
- 463 middle-income tracts,
- 305 upper-income tracts, and
- 15 census tracts with no income designation.

Several areas in the combined assessment area contain concentrated numbers of low- and moderate-income census tracts. Suffolk County contains the largest concentration and includes the following neighborhoods of Boston: Allston/Brighton, Dorchester, East Boston, Fenway, Hyde Park, Jamaica Plain, Mattapan, Mission Hill, Roslindale, Roxbury, and the South End and the cities of Chelsea and Revere. Another concentration is north of Boston in the Cambridge, Everett, Haverhill, Lawrence, Lowell, Lynn, Malden, and Somerville areas. South of Boston, Brockton, Quincy, and Taunton contain pockets. Lastly, in NH, Manchester and Nashua contain the greatest concentration of low- and moderate-income census tracts.

The census tracts with no income designation in Suffolk County include the Harbor Islands, Franklin Park Zoo, Stony Brook Reservation, Arnold Arboretum, Forest Hills Cemetery, Castle Island, Seaport Waterfront area, Charles River, Suffolk Downs, Belle Isle Marsh Reservation, Boston Commons, and the Muddy River. In Plymouth County, the census tract with no income designation is the Old Colony Correctional Center. In Hillsborough County, the Manchester-Boston Regional Airport accounts for two census tracts with no income designation. The following table illustrates select demographic characteristics of the combined assessment area.

Demographic Information of the Assessment Area Combined Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,112	10.4	19.2	41.6	27.4	1.3
Population by Geography	4,997,102	8.6	18.5	44.1	28.7	0.1
Housing Units by Geography	2,087,513	8.3	19.2	45.5	26.9	0.0
Owner-Occupied Units by Geography	1,220,570	3.0	13.5	49.8	33.6	0.0
Occupied Rental Units by Geography	700,225	17.0	28.5	37.5	16.9	0.0
Vacant Units by Geography	166,718	10.5	22.0	47.6	19.8	0.0
Businesses by Geography	367,789	7.1	13.3	43.0	36.4	0.2
Farms by Geography	7,302	2.2	8.9	52.1	36.8	0.0
Family Distribution by Income Level	1,218,100	21.8	16.8	21.0	40.4	0.0
Household Distribution by Income Level	1,920,795	25.4	15.0	17.6	41.9	0.0
Median Family Income MSA - 12700 Barnstable Town, MA MSA		\$75,056	Median Housing Value Median Gross Rent Families Below Poverty Level			\$392,147 \$1,132 6.6%
Median Family Income MSA - 14454 Boston, MA MD		\$83,664				
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$90,625				
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$81,794				
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$70,496				
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH MD		\$85,547				
Median Family Income Non-MSAs – NH		\$66,238				
Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2016 D&B data, there were 367,789 businesses in the combined assessment area. Gross annual revenues (GARs) for these businesses are below.

- 83.2 percent have \$1 million or less.
- 7.1 percent have more than \$1 million.
- 9.7 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Business demographics indicate the majority of businesses in the combined assessment area are small businesses with four or fewer employees. Specifically, 71.2 percent of area businesses have four or fewer employees, and 88.4 percent operate from a single location. Service industries represent the largest portion of businesses at 48.9 percent; followed by retail trade at 12.8 percent; finance, insurance, and real estate at 9.5 percent; construction at 8.3 percent; and non-classifiable establishments at 6.8 percent.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the low-, moderate-,



middle-, and upper-income categories.

<b>Median Family Income Ranges Combined Assessment Area</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Barnstable Town, MA MSA Median Family Income (12700)</b>				
2015 (\$80,300)	<\$40,150	\$40,150 to <\$64,240	\$64,240 to <\$96,360	≥\$96,360
2016 (\$77,100)	<\$38,550	\$38,550 to <\$61,680	\$61,680 to <\$92,520	≥\$92,520
<b>Boston, MA MD Median Family Income (14454)</b>				
2015 (\$90,000)	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
<b>Manchester-Nashua, NH MSA Median Family Income (31700)</b>				
2015 (\$89,700)	<\$44,850	\$44,850 to <\$71,760	\$71,760 to <\$107,640	≥\$107,640
2016 (\$83,100)	<\$41,550	\$41,550 to <\$66,480	\$66,480 to <\$99,720	≥\$99,720
<b>Providence-Warwick, RI-MA MSA Median Family Income (39300)</b>				
2015 (\$74,400)	<\$37,200	\$37,200 to <\$59,520	\$59,520 to <\$89,280	≥\$89,280
2016 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720
<b>Rockingham County-Strafford County, NH MD Median Family Income (40484)</b>				
2015 (\$89,200)	<\$44,600	\$44,600 to <\$71,360	\$71,360 to <\$107,040	≥\$107,040
2016 (\$87,900)	<\$43,950	\$43,950 to <\$70,320	\$70,320 to <\$105,480	≥\$105,480
<b>NH NA Median Family Income (99999)</b>				
2015 (\$71,600)	<\$35,800	\$35,800 to <\$57,280	\$57,280 to <\$85,920	≥\$85,920
2016 (\$71,400)	<\$35,700	\$35,700 to <\$57,120	\$57,120 to <\$85,680	≥\$85,680
<i>Source: FFIEC</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Of the owner-occupied housing units in the combined assessment area, 3.0 percent are in low-income census tracts and 13.5 percent are in moderate-income census tracts. The U.S. Bureau of Labor and Statistics indicates that as of December 2016, the seasonally adjusted unemployment rate in MA was 3.1 percent and 2.7 percent in NH. The MA unemployment rate has significantly decreased throughout the evaluation period, from a high of 5.5 percent in September 2014. Similarly, the NH unemployment rate steadily decreased throughout the evaluation period from a high of 4.1 percent in September 2014.

### **Competition**

The combined assessment area is highly competitive for financial services. The June 30, 2017 FDIC Deposit Market Share Report shows that 136 institutions operated 1,669 branches in the combined assessment area. Eastern Bank ranked 6<sup>th</sup> with a 2.8 percent market share and was the top ranked state or regional bank. The top three institutions account for 59.8 percent of the market share.

There is a high competition level for small business loans among several banks and non-depository lenders in the combined assessment area. In 2015, 193 lenders originated 124,175 small business loans in the counties of the bank's combined assessment area. Eastern Bank ranked 11<sup>th</sup> with a 2.9 percent market share. All lenders that ranked ahead of Eastern Bank were

large national banks and credit card companies. Similarly, in 2016, the bank ranked 12<sup>th</sup> out of 196 lenders in the combined assessment area with a market share of 2.4 percent. Eastern Bank was the highest ranked state-chartered institution in lending to small businesses in the counties of the bank's assessment area in 2015 and 2016.

There is also a high competition level for home mortgage loans in the combined assessment area. In 2015, 692 lenders originated 177,271 home mortgage loans in the combined assessment area. Eastern Bank ranked 14<sup>th</sup> with a market share of 1.4 percent and was the highest ranked state bank. Similarly, in 2016, the bank ranked 17<sup>th</sup> out of 709 lenders with a 1.4 percent market share. In both years, the financial institutions that ranked ahead of Eastern Bank were large national banks or mortgage companies.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows available credit and community development opportunities. Examiners conducted community contacts in each assessment area.

#### ***Multistate MSA***

Examiners relied on two recently completed community contacts in the Multistate MSA. One organization, located in Boston, serves numerous neighborhoods in the city including Jamaica Plain, Roxbury, Dorchester, and Mattapan. This community development organization cited a significant need for affordable housing and economic development. The contact stated that these low- and moderate-income neighborhoods would prosper by expanding real estate and small business development efforts. Further, the contact stated the importance of SBA loans and entrepreneurial opportunities to the community. Lastly, the contact cited a need for financial literacy training and more innovative loan products and resources for first time homebuyers.

The second contact organization serves an area south of Boston in the City of Brockton. This economic development corporation identified a significant need for flexible small business lending, particularly in the area of start-up capital and general economic development for entrepreneurs. The contact indicated downtown Brockton presents many opportunities for this type of lending, particularly in the Main Street area and the Campello and Montero neighborhoods. The contact also indicated a demand for further financial involvement for job training.

#### ***Barnstable Town, MA MSA***

Examiners contacted an affordable housing organization that serves Cape Cod and the islands. The contact mentioned the need for low-interest home improvement loans and renovation products. Additionally, the contact mentioned the need for affordable housing for senior citizens and low- and moderate-income full time residents. Due to the demand for affordable housing, there is presently a 10-year waiting list. An increase in rental housing, particularly multifamily housing, would help these groups; however, the predevelopment costs and infrastructure improvements are large barriers to new developments.

***Providence-Warwick, RI-MA MSA***

Examiners contacted an economic development organization that serves the assessment area's minority-owned and women-owned businesses and small businesses. The organization relies on a portfolio of lending products to assist businesses. The contact indicated the need for small dollar loans, lines of credit, and SBA micro loans to assist small businesses. Additionally, the contact noted a need for financial literacy for small businesses.

***Manchester-Nashua, NH MSA***

Examiners contacted a representative of an economic development corporation in Manchester, NH. The organization focuses on investing in the downtown area of Manchester and retaining existing businesses as well as attracting new businesses. The contact noted a need for small business financing, particularly among very small businesses, apartment housing development financing, hotel development financing, and gap financing. The contact also noted a need for business assistance programs among new and expanding businesses. Finally, the contact discussed a strong financial environment in the area, with several financial institutions actively involved in serving the community.

***Non-Metropolitan NH Statewide Area***

Examiners contacted an economic development organization representative. The organization participates in SBA 504 loans and direct portfolio loans in conjunction with third party lenders. The contact noted Eastern Bank actively participates in both the SBA 504 and direct portfolio loan programs. The contact discussed a high competition level among financial institutions for commercial lending opportunities. Although the contact believes financial institutions support the community's needs, the contact noted a need for micro lending to very small businesses, particularly start-ups.

**Credit and Community Development Needs and Opportunities**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing, community service support for low- and moderate-income individuals, and economic development represent the combined assessment area's primary community development needs. Several contacts noted a credit need for micro-loans to small businesses and the need for financial literacy for low- and moderate-income individuals and small businesses.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank's overall Lending Test performance is rated Outstanding. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect excellent responsiveness to assessment area credit needs, considering performance context and competition.

As of September 30, 2017, loans totaled \$8.2 billion, representing 76.0 percent of total assets. During 2015 and 2016, Eastern Bank originated 6,859 small business loans, totaling approximately \$991.0 million, and 5,281 home mortgage loans, totaling approximately \$1.4 billion, inside its combined assessment area.

In 2015, the bank ranked 11<sup>th</sup> out of 193 lenders that originated or purchased at least 1 small business loan in the counties of the combined assessment area, with a 2.9 percent market share by number. Eastern Bank is the highest ranked regional bank, with the top ten lenders comprised of large national banks or credit card companies. American Express, FSB; Bank of America, N.A.; Capital One Bank (USA), N.A.; and Citibank, N.A., are the top ranked banks, collectively capturing 54.5 percent of the market share by number. Eastern Bank accounts for the largest market share by dollar volume within these counties, at 10.7 percent.

The bank ranked 12<sup>th</sup> out of 196 lenders that reported a small business loan in 2016 in the combined assessment area counties. Eastern Bank held a market share of 2.4 percent by number and earned the second highest market share by dollar amount, at 9.8 percent. Eastern Bank is the top-ranked MA-chartered lender. Lenders ranked above Eastern Bank include primarily credit card lenders and large national banks. American Express, FSB; Citibank, N.A.; and Bank of America, N.A., are the top three ranked reporters, holding a combined 48.8 percent market share.

In 2015, Eastern Bank ranked 14<sup>th</sup> out of 692 lenders that originated or purchased at least 1 home mortgage loan in the combined assessment area. The bank's market share was 1.4 percent by number and 1.0 percent by dollar amount. The only regionally headquartered lenders that outperformed Eastern Bank were Leader Bank, ranked 8<sup>th</sup> with 2.5 percent market share, and Salem Five Mortgage Co., LLC, ranked 12<sup>th</sup> with 1.6 percent market share. Other lenders that outperformed Eastern Bank include only large national banks or mortgage companies. JP Morgan Chase Bank, NA; Wells Fargo Bank, NA; and loanDepot.com, LLC comprise the top three home mortgage lenders in the combined assessment area.

Eastern Bank ranked 17<sup>th</sup> out of 709 lenders in 2016 that reported a home mortgage loan in the combined assessment area. Market share by number remained at 1.4 percent and market share by dollar amount increased to 1.1 percent. The majority of lenders that outperformed Eastern Bank consist of large national banks or mortgage companies. Wells Fargo Bank, NA; JP Morgan Chase

Bank, NA; and loanDepot.com, LLC remained the top three home mortgage lenders in the combined assessment area, capturing a combined 13.3 percent market share.

### **Assessment Area Concentration**

The bank originated a substantial majority of small business and home mortgage loans, by number and dollar volume, within its combined assessment area. The following table shows the loan distribution inside and outside the combined assessment area.

<b>Lending Inside and Outside of the Assessment Area Combined Assessment Area</b>										
	<b>Number of Loans</b>					<b>Dollar Amount of Loans \$(000s)</b>				
<b>Loan Category</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$(000s)</b>
Small Business										
2015	3,445	91.1	335	8.9	3,780	500,657	86.8	76,129	13.2	576,786
2016	3,414	91.5	317	8.5	3,731	490,348	86.3	77,870	13.7	568,218
<b>Subtotal</b>	<b>6,859</b>	<b>91.3</b>	<b>652</b>	<b>8.7</b>	<b>7,511</b>	<b>991,005</b>	<b>86.6</b>	<b>153,999</b>	<b>13.4</b>	<b>1,145,004</b>
Home Mortgage										
2015	2,521	89.8	287	10.2	2,808	585,062	85.9	95,982	14.1	681,044
2016	2,760	90.0	308	10.0	3,068	769,306	79.9	193,762	20.1	963,068
<b>Subtotal</b>	<b>5,281</b>	<b>89.9</b>	<b>595</b>	<b>10.1</b>	<b>5,876</b>	<b>1,354,368</b>	<b>82.4</b>	<b>289,744</b>	<b>17.6</b>	<b>1,644,112</b>
<b>Total</b>	<b>12,140</b>	<b>90.7</b>	<b>1,247</b>	<b>9.3</b>	<b>13,387</b>	<b>2,345,373</b>	<b>84.1</b>	<b>443,743</b>	<b>15.9</b>	<b>2,789,116</b>
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2016 Bank Data  Due to rounding, totals may not equal 100.0</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects excellent penetration throughout the combined assessment area. The bank's excellent performance of small business and good performance of home mortgage lending supports this conclusion. Performance in the Multistate MSA is primarily driving overall performance. Examiners focused on the percentage of loans, by number, originated in low- and moderate-income census tracts.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent penetration throughout the combined assessment area. Examiners compared the bank's performance to business demographic data, aggregate lending data, and market share rankings.

In 2015, the bank's performance exceeded aggregate performance and demographic data for lending in low-income census tracts. Market share data further supports the bank's excellent performance in 2015. Eastern Bank ranked 8<sup>th</sup> out of 95 lenders that originated at least 1 small business loan within a low-income census tract in the combined assessment area counties, with a 3.9 percent market share. Eastern Bank was the highest ranked regional bank, outperformed

only by large national banks and credit card companies. The top four small business lenders consist of American Express, FSB; Bank of America, N.A.; Capital One Bank (USA), N.A.; and Citibank, N.A.; that collectively capture a 52.9 percent market share.

In 2016, Eastern Bank increased small business lending by number within low-income census tracts and continued to exceed demographic data. The bank ranked 10<sup>th</sup> out of 109 lenders that reported a small business loan in a low-income tract within the counties in the combined assessment area in 2016. Eastern Bank was the highest ranked state-chartered institution and held a market share of 3.4 percent. The top four ranked small business lenders in 2015 continued to lead the market share rankings in 2016, holding a cumulative 49.8 percent market share.

In 2015, Eastern Bank slightly exceeded aggregate performance and demographic data for lending in moderate-income census tracts. The bank ranked 10<sup>th</sup> of the 116 lenders that reported a small business loan within a moderate-income census tract in the combined assessment area counties. Eastern Bank captured a 3.1 percent market share and was the top ranked regional bank. American Express, FSB; Bank of America, N.A.; Capital One Bank (USA), N.A.; and Citibank, N.A.; comprised the top four small business lenders in the combined assessment area in 2015, capturing a combined 54.4 percent market share.

Eastern Bank increased small business lending in moderate-income census tracts in the combined assessment area counties in 2016. The bank exceeded both aggregate performance and demographic data. Market share rankings further support a strong performance. Eastern Bank ranked 9<sup>th</sup> out of 121 lenders that reported a small business loan in a moderate-income census tract located in the counties that comprise the combined assessment area in 2016. Eastern Bank remained the top-ranked state institution. Other lenders ranked higher than Eastern Bank consist of large national banks and credit card lenders. American Express, FSB; Citibank, N.A.; and Bank of America, N.A. were the top three ranked lenders in 2016.

Overall, the bank consistently exceeded aggregate performance and demographics in 2015 and 2016. Considering the highly competitive market, the relatively limited number of businesses in low- and moderate-income census tracts, and the market share rankings, the bank's distribution of loans reflects excellent penetration throughout the combined assessment area.

Geographic Distribution of Small Business Loans						
Combined Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	7.0	6.0	276	8.0	47,022	9.4
2016	7.1	6.0	297	8.7	38,763	7.9
Moderate						
2015	13.3	13.2	472	13.7	62,065	12.4
2016	13.3	13.3	507	14.9	71,537	14.6
Middle						
2015	43.2	45.1	1,652	48.0	230,735	46.1
2016	43.0	44.4	1,660	48.6	231,188	47.1
Upper						
2015	36.3	35.4	1,030	29.9	156,680	31.3
2016	36.4	36.0	934	27.4	143,953	29.4
Not Available						
2015	0.2	0.3	15	0.4	4,155	0.8
2016	0.2	0.2	16	0.5	4,907	1.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>3,445</b>	<b>100.0</b>	<b>500,657</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>3,414</b>	<b>100.0</b>	<b>490,348</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects good penetration throughout the combined assessment area. Examiners compared performance to aggregate market performance, as well as market share rankings and the percentage of owner-occupied housing units.

In 2015, the bank's performance of home mortgage lending in low-income census tracts exceeded both aggregate performance and demographic data. Market share rankings further support good performance. Eastern Bank ranked 13<sup>th</sup> of 370 lenders that originated a home mortgage loan in a low-income tract within the combined assessment area in 2015, with 1.6 percent market share by number. The top ranked lenders include large national banks and mortgage companies. Wells Fargo Bank, N.A., is ranked 1<sup>st</sup> with 6.0 percent market share, followed by Residential Mortgage Services with 4.2 percent market share.

Home mortgage lending performance in low-income census tracts slightly declined in 2016; however, performance remained above demographic data and in-line with aggregate performance. During the bank's strategic decision to outsource mortgage operations to a third party in 2016, the bank halted residential loan production for a period. This transition affected

the bank's residential lending volume during 2016. Additionally, market share rankings support good performance. The bank ranked 17<sup>th</sup> out of 379 lenders that originated a home mortgage loan in a low-income tract within the combined assessment area in 2016, with 1.4 percent market share. Although the majority of lenders that outperformed Eastern Bank are large national institutions or mortgage companies, two regionally located competitors earned higher market share rankings. Salem Five Mortgage Company, LLC was ranked 13<sup>th</sup> with 1.6 percent market share, and Rockland Trust Company ranked 15<sup>th</sup> with 1.5 percent market share.

Eastern Bank's 2015 home mortgage lending in moderate-income census tracts was in-line with aggregate performance and demographic data. Market share rankings reflect good performance. Eastern Bank ranked 16<sup>th</sup> out of 501 lenders that originated a home mortgage loan in a moderate-income census tract within the combined assessment area in 2015, with 1.4 percent market share. Salem Five Mortgage Company, LLC, ranked 14<sup>th</sup> with 1.6 percent market share. Other lenders that outperformed Eastern Bank include large national banks and mortgage companies. Wells Fargo Bank, NA; JP Morgan Chase Bank, NA; Ditech Financial LLC; and Quicken Loans comprise the top four ranked home mortgage lenders in 2015.

In 2016, the bank's performance of home mortgage lending in moderate-income census tracts increased by number and slightly exceeded aggregate performance and demographic data. The bank again earned 1.4 percent market share, ranking 17<sup>th</sup> out of 501 lenders that reported a home mortgage loan within a moderate-income census tract in the combined assessment area in 2016. The majority of lenders ranked higher than Eastern Bank consist of large national institutions and mortgage companies. Wells Fargo Bank, NA; Quicken Loans, and Guaranteed Rate Inc., comprise the top three home mortgage lenders in 2016.

Overall, the bank has 28 or 30.1 percent of its branches in low- and moderate-income census tracts. Of the 28 branches, 3 are new since the last evaluation. Additionally, the bank added 27 low- and moderate-income tracts, or 8.0 percent of all low- and moderate-income tracts, since the last evaluation. Considering the highly competitive market, market share rankings, performance compared to aggregate, and branch structure, loan distribution reflects good penetration throughout the combined assessment area.



Geographic Distribution of Home Mortgage Loans Combined Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	3.0	3.8	109	4.3	56,191	9.6
2016	3.0	3.7	104	3.8	47,603	6.2
Moderate						
2015	13.5	13.6	346	13.7	75,809	13.0
2016	13.5	13.6	385	13.9	148,668	19.3
Middle						
2015	49.8	48.2	1,235	49.0	257,437	44.0
2016	49.8	48.9	1,302	47.2	279,846	36.4
Upper						
2015	33.6	34.4	830	32.9	194,350	33.2
2016	33.6	33.8	969	35.1	293,189	38.1
Not Available						
2015	0.0	0.0	1	0.0	1,275	0.2
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>2,521</b>	<b>100.0</b>	<b>585,062</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>2,760</b>	<b>100.0</b>	<b>769,306</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## **Borrower Profile**

The distribution of borrowers reflects excellent penetration among business customers of different size and retail customers of different income levels. The bank's excellent performance of small business and good performance of home mortgage lending supports this conclusion. The bank's performance in the Multistate MSA primarily drives its performance. Examiners focused on the percentage of small business loans to business with GARs of \$1 million or less, and on the percentage of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration of loans to small businesses. Examiners focused on the comparison to aggregate performance, market share rankings, and demographic information.

Although lending to businesses with GARs of \$1 million or less is less than demographic data, the bank exceeded aggregate data by 7.0 percentage points in 2015. Further, demographic data includes all businesses, not just those that purchased or are in the market for, a small business

loan. Market share rankings further support the bank's excellent performance. In 2015, the bank ranked 7<sup>th</sup> out of 142 lenders that originated a small business loan to a business with GARs of \$1 million or less inside the combined assessment area, with 3.3 percent market share. Eastern Bank is the highest ranked regional or state bank, outperformed only by large national institutions or credit card companies. American Express, FSB; Citibank, N.A.; and Bank of America, N.A are the top three ranked small business lenders in the combined assessment area, collectively capturing 61.7 percent market share.

In 2016, Eastern Bank's percentage of lending to businesses with GARs of \$1 million or less was consistent with 2015; however, the bank's performance improved compared to aggregate data due to a slight decline in aggregate performance. Eastern Bank ranked 7<sup>th</sup> out of 127 lenders that reported a small business loan to a business with GARs of \$1 million or less within the combined assessment area counties in 2016. Only large national banks ranked above Eastern Bank. The top ranked lenders include American Express, FSB; Citibank, N.A.; and Bank of America, N.A.

Of the 2015 and 2016 small business originations, the bank extended approximately 52.9 percent or 4,097 loans, with loan amounts under \$50,000. Two of the community contacts cited a need for micro-loans, or loans under \$50,000, for local businesses. More than half of the small business loans were micro-loans demonstrating the bank's responsiveness to this need and the bank's excellent penetration of lending to small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Combined Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	76.3	47.6	1,882	54.6	145,654	29.1
2016	83.2	44.3	1,854	54.3	142,694	29.1
>\$1,000,000						
2015	6.1	--	947	27.5	285,740	57.1
2016	7.1	--	908	26.6	274,766	56.0
Revenue Not Available						
2015	17.6	--	616	17.9	69,263	13.8
2016	9.7	--	652	19.1	72,888	14.9
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>3,445</b>	<b>100.0</b>	<b>500,657</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>3,414</b>	<b>100.0</b>	<b>490,348</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

Eastern Bank's performance reflects good penetration of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers. Examiners compared the bank's performance to aggregate performance, as well as the percent of families by income level and market share information.

In 2015, the bank's performance of lending to low-income borrowers exceeded aggregate performance, but fell below demographic data. A low-income family in the combined assessment area, earning on average less than \$41,571, would unlikely qualify for a mortgage under conventional underwriting standards, considering the median housing value of \$392,147. Therefore, the demand and opportunity for lending to low-income families is relatively limited. This helps explain the disparity between bank performance to low-income families and the percentage of families of this income level. Eastern Bank ranked 12<sup>th</sup> of 369 lenders that originated or purchased a home mortgage loan to a low-income borrower within the combined assessment area in 2015. Eastern Bank captured a 1.6 percent market share. Salem Five Mortgage Company, LLC, ranked 11<sup>th</sup> with 1.9 percent market share, was the only regional competitor that outperformed Eastern Bank. The top ranked lenders for 2015 include Wells Fargo Bank, NA, with 5.4 percent market share; Ditech Financial LLC, with 5.0 percent market share; and Residential Mortgage Services, with 4.0 percent market share.

In 2016, the bank's performance of lending to low-income borrowers remained almost unchanged by number and increased by dollar amount. Eastern Bank's performance continued to exceed aggregate performance, but remained below demographic data. As discussed, the average income of a low-income borrower and the median housing value in the combined assessment area partially explains the difference between bank performance and demographics.

Market share rankings further support good performance. Eastern Bank accounted for 1.6 percent market share, ranking 12<sup>th</sup> out of 366 lenders that originated or purchased a home mortgage loan in the combined assessment area in 2016. The majority of lenders that outperformed Eastern Bank are large national banks or mortgage companies.

The bank's 2015 performance of lending to moderate-income borrowers exceeded both aggregate performance and demographic data by 2.6 and 1.7 percentage points, respectively. Eastern Bank earned 1.7 percent market share, ranking 15<sup>th</sup> out of 470 lenders that originated or purchased a home mortgage loan to a moderate-income borrower in 2015. Salem Five Mortgage Company, LLC, ranked 9<sup>th</sup> with 2.2 percent market share and Merrimack Mortgage Company, LLC, ranked 13<sup>th</sup> with 1.7 percent market share, are both regionally headquartered mortgage companies that outperformed Eastern Bank. Wells Fargo Bank, NA was the top ranked home mortgage lender in 2015, with 5.9 percent market share, followed by Residential Mortgage Services, with 4.5 percent market share.

Eastern Bank's 2016 performance in lending to moderate-income borrowers reflected a minor decline. The bank's performance was in-line with aggregate performance, but fell slightly below demographics. The bank was ranked 17<sup>th</sup> of 469 lenders that reported a home mortgage loan to a moderate-income borrower in the combined assessment area in 2016. The majority of lenders that outperformed Eastern Bank are large national banks or mortgage companies. Wells Fargo Bank, NA; Quicken Loans, and Residential Mortgage Services were the top three ranked lenders, accounting for a combined 15.2 percent market share. Eastern Bank's market share was 1.4 percent.

Distribution of Home Mortgage Loans by Borrower Income Level Combined Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	21.8	4.7	131	5.2	10,662	1.8
2016	21.8	4.0	130	4.7	12,664	1.6
Moderate						
2015	16.8	15.9	467	18.5	61,883	10.6
2016	16.8	14.8	405	14.7	56,272	7.3
Middle						
2015	21.0	21.8	630	25.0	86,048	14.7
2016	21.0	23.0	662	24.0	94,755	12.3
Upper						
2015	40.4	38.3	1,057	41.9	200,223	34.2
2016	40.4	44.1	1,326	48.0	299,909	39.0
Not Available						
2015	0.0	19.4	236	9.4	226,246	38.7
2016	0.0	14.2	237	8.6	305,706	39.7
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>2,521</b>	<b>100.0</b>	<b>585,062</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>2,760</b>	<b>100.0</b>	<b>769,306</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### **Innovative and Flexible Lending**

The bank makes extensive use of innovative and flexible lending programs to assist in meeting its combined assessment area's credit needs. Programs involve government-related subsidies and guarantees in addition to limited internal programs. The bank originated 9,633 innovative and flexible loans, totaling \$487.3 million, to individuals and businesses during the evaluation period. Of these innovative and flexible loans, the bank made \$271.2 through small business lending programs, \$162.2 million through affordable housing programs, and \$53.9 million through consumer programs. The following table illustrates the bank's innovative and flexible lending programs.

Innovative or Flexible Lending Programs Combined Assessment Area										
Type of Program	2014		2015		2016		2017		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA 7a	200	12,859	801	45,326	565	35,490	162	18,900	1,728	112,575
SBA 504	10	2,162	22	13,253	54	27,027	66	41,637	152	84,079
SBA Express	0	0	0	0	504	21,645	1,036	49,645	1,540	71,290
Mass Save Heat	35	491	80	1,016	86	860	77	848	278	3,215
<b>Subtotal Commercial Loans</b>	<b>245</b>	<b>15,512</b>	<b>903</b>	<b>59,595</b>	<b>1,209</b>	<b>85,022</b>	<b>1,341</b>	<b>111,030</b>	<b>3,698</b>	<b>271,159</b>
Mass Housing Partnership (MHP) One Program	28	6,791	101	23,688	72	16,319	62	15,365	263	62,163
Rural Housing Service (RHS)	3	740	0	0	0	0	1	217	4	957
FHA	9	2,253	36	11,952	34	11,169	58	19,128	137	44,502
FHA Reverse Mortgage Program	24	4,989	40	9,417	30	6,995	0	0	94	21,401
Massachusetts Housing Finance Agency (MHFA)	12	2,780	37	10,066	28	7,439	37	10,470	114	30,755
Fannie Mae (FNMA) Home Ready/Freddie Mac (FHLMC) Home Possible	0	0	0	0	0	0	8	1,689	8	1,689
Veteran's Administration (VA)	0	0	0	0	0	0	1	310	1	310
Rhode Island Housing Mortgage Finance Corporation (RIHMC)	0	0	0	0	2	463	0	0	2	463
<b>Subtotal Residential Loans</b>	<b>76</b>	<b>17,553</b>	<b>214</b>	<b>55,123</b>	<b>166</b>	<b>42,385</b>	<b>167</b>	<b>47,179</b>	<b>623</b>	<b>162,240</b>
"Starter Loans" Program	41	38	169	149	176	153	125	138	511	478
Mass Save HEAT Loan Program	555	5,687	1,300	14,334	1,371	15,438	1,575	17,964	4,801	53,423
<b>Subtotal Consumer Loans</b>	<b>596</b>	<b>5,725</b>	<b>1,469</b>	<b>14,483</b>	<b>1,547</b>	<b>15,591</b>	<b>1,700</b>	<b>18,102</b>	<b>5,312</b>	<b>53,901</b>
<b>Totals</b>	<b>917</b>	<b>38,790</b>	<b>2,586</b>	<b>129,201</b>	<b>2,922</b>	<b>142,998</b>	<b>3,208</b>	<b>176,311</b>	<b>9,633</b>	<b>487,300</b>
<i>Source: Bank Records</i>										

The following highlights a sample of the bank's innovative and flexible loan programs.

#### Small Business Lending Programs

In addition to its standard commercial loan programs and in cooperation with numerous federal and state government organizations including the SBA and Mass Save, the bank also offers flexible small business loan programs. Since the last evaluation, the bank introduced one new commercial loan program, the SBA Express loan. Eastern Bank continues to be the top ranked SBA Lender of the year for both job creation and retention in New England.

- *SBA 7a Loan Programs* – The bank continues to be a preferred SBA lender. The 7a program provides for term loans up to \$5.0 million, with an SBA guaranty of 85.0

percent for loans \$150,000 or less and 75.0 percent for loans greater than \$150,000, with a \$3.75 million guaranty maximum. Borrowers benefit from long-term financing options, a fixed maturity, and no prepayment penalties for loans less than 15 years. Eastern Bank continues to be the top SBA 7a lender of the year in New England each year since the last evaluation.

- *SBA 504 Loan Program* – This loan program provides long-term fixed asset financing made through a Certified Development Company (CDC). Maximum loan amounts range from \$5 to \$5.5 million depending upon the business. The program’s main benefit is the low down payment requirement and flexibility in financing fees. Generally, the loan structure includes a 10.0 percent equity investment by the small business, 40.0 percent CDC participation, and 50.0 percent bank participation. Eastern Bank continues to be the top SBA 504 third party lender of the year in New England, by number of loans, each year since the last evaluation.
- *SBA Express Loan Program* – This program provides a streamlined approval process enabling faster approval turnaround times and easy-to-use lines of credit. The program offers revolving lines of credit or term loans up to \$350,000. The SBA guarantees 50.0 percent. The bank introduced this program in 2016 and originated 1,540 loans totaling approximately \$71.3 million over the evaluation period.

### Home Mortgage Lending Programs

Eastern Bank offers home mortgage loan products in conjunction with MHFA, MHP, RHS, FHA, FNMA, FHLMC, and VA. Since the last evaluation, the bank introduced three new residential loan products including the FNMA Home Ready, FHLMC Home Possible, and RIHMC loans. Examiners determined that the bank met the combined assessment’s overall needs. Therefore, examiners counted the RIHMC loans as part of the bank’s innovative and flexible lending programs. The following represents examples of innovative and flexible home mortgage programs.

- *MHP One Program* – Eastern Bank participates in the ONE Mortgage Program. The program offers first time homebuyers a down payment as low as 3.0 percent; low, fixed-rate financing; and a state-backed reserve that relieves homebuyers from the cost of private mortgage insurance. This program targets low- and moderate-income first-time homebuyers. ONE Mortgage succeeds the SoftSecond Loan Program. Borrowers must meet income guidelines to qualify for reduced-rate financing.
- *RHS* – Eastern Bank is an approved lender with the United States Department of Agriculture’s RHS. The RHS provides loan guarantees to help low- and moderate-income individuals purchase affordable homes in rural areas. Borrowers may use loans to build, rehabilitate, improve, or relocate a home in an eligible rural area. Applicants must meet income eligibility requirements.
- *FHA* – The bank participates in FHA’s fixed- and adjustable-rate loan programs. The fixed-rate program is targeted to first time homebuyers and offers low closing costs, easy credit qualification, and down payments as low as 3.5 percent. The FHA also allows for

more flexible debt-to-income ratios and underwriting standards. This product assists low- and moderate-income borrowers. It has maximum loan limits based on property location.

- *MHFA* – MassHousing is an independent quasi-public authority that provides financing for affordable housing. The bank continues to collaborate with MassHousing loan programs to aid low- and moderate-income first time homebuyers. Loan programs provide affordable interest rates, mortgage payment protection, flexible underwriting, and low down payment options. Eastern Bank also participates in the MHFA’s Operation Welcome Home program for veterans. The program offers fixed interest rates with flexible credit requirements, a deferred down payment, or closing cost assistance loan option for eligible borrowers. Borrowers must meet income and loan limits.
- *FNMA Home Ready and FHLMC Home Possible* – The bank started offering these two programs in 2017. Both programs offer low down payments to low- to moderate-income homebuyers. In 2017, the bank originated eight loans totaling approximately \$1.7 million under these programs.

The bank also offers a residential loan modification program. The bank works with borrowers to prevent foreclosure through various means including modifications. In these situations, financial and/or term accommodations are made, when feasible, to assist the homeowner in the effort to prevent foreclosure. Over the evaluation period, the bank granted 119 modifications totaling \$18.1 million.

### Consumer Lending Programs

Eastern Bank offers one internally developed consumer loan product and a consumer loan product in conjunction with Mass Save.

- *Eastern Bank “Starter Loans”* – Eastern Bank offers a specialized program to extend small unsecured loans to borrowers with little or no credit. The product is primarily designed to provide affordable loan options to underserved and under banked individuals. Specifically, the program includes cash reserves between \$500 and \$1,000 or personal loans between \$500 and \$2,000 with terms between 12 and 36 months. To qualify, borrowers must have at least one year of employment history and have limited or no credit.
- *Mass Save* – Loans to finance energy efficiency projects are at zero percent interest with a seven-year payback period. Borrowers must own a 1-4 family home and be approved by Mass Save after completing a Mass Save Home Energy Assessment. The bank originated 4,801 HEAT loans totaling over \$53.4 million during the evaluation period.



## **Community Development Lending**

Eastern Bank is a leader in community development lending. During the evaluation period, the bank originated 154 community development loans totaling approximately \$458.3 million. The current activity level represents 4.6 percent of average total assets and 6.3 percent of average total loans since the prior CRA evaluation. Demonstrating its responsiveness to the credit and community development needs, the bank originated 132 community development loans, totaling approximately \$361.4 million, inside the combined assessment area. Given this responsiveness to the assessment area's needs, the bank also received credit for 22 loans totaling approximately \$96.9 million outside the combined assessment area. Additionally, of the 13 regional loans included in the second table that follows, 11 benefited the statewide area of MA, 1 benefited the statewide area of NH, and 1 benefited the regional area encompassing both MA and NH. The bank also originated nine loans totaling approximately \$79.4 million that benefit nationwide activities, including the bank's assessment area. Lastly, the bank significantly exceeded the community development lending of two similarly situated institutions.

Three community contacts stated that Eastern Bank has been very responsive to community needs with its lending efforts. Additionally, the bank made numerous loans to construct multi-family complexes. These complexes increase the number of affordable rental units and government assisted rental units, in and around the combined assessment area. The following tables illustrate the bank's community development lending activity during the evaluation period by year, purpose, and rated area.

<b>Community Development Lending Combined Assessment Area</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Neighborhood Stabilization</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2014	4	22,241	6	1,382	0	0	1	774	0	0	11	24,397
2015	11	37,062	19	51,308	6	9,851	1	50	0	0	37	98,271
2016	16	80,524	20	59,035	12	21,127	0	0	0	0	48	160,686
2017	17	54,617	16	18,957	3	4,475	0	0	0	0	36	78,049
<b>Total</b>	<b>48</b>	<b>194,444</b>	<b>61</b>	<b>130,682</b>	<b>21</b>	<b>35,453</b>	<b>2</b>	<b>824</b>	<b>0</b>	<b>0</b>	<b>132</b>	<b>361,403</b>
<i>Source: Bank Records</i>												

**Community Development Lending by Rated Area**

Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Multistate MSA	38	126,069	44	55,307	21	35,453	2	824	0	0	105	217,653
State of MA	2	2,425	1	25	0	0	0	0	0	0	3	2,450
State of NH	1	2,000	1	65	0	0	0	0	0	0	2	2,065
Regional Activities	2	15,550	11	44,300	0	0	0	0	0	0	13	59,850
Nationwide Activities	5	48,400	4	30,985	0	0	0	0	0	0	9	79,385
<b>Total</b>	<b>48</b>	<b>194,444</b>	<b>61</b>	<b>130,682</b>	<b>21</b>	<b>35,453</b>	<b>2</b>	<b>824</b>	<b>0</b>	<b>0</b>	<b>132</b>	<b>361,403</b>

*Source: Bank Records*

The following list provides examples of the bank's community development loans:

- In 2014, the bank originated a \$774,000 term loan to provide bridge financing for a charter school located in a moderate-income census tract in Dorchester, MA. Of the student population, 62.3 percent qualify for a free and reduced-price lunch. The loan was part of a financing project enabling the school to expand its enrollment and facilities by purchasing and renovating an additional building. In addition to the bank's loan, the sale of New Markets Tax Credits and a Qualified Zone Academy Bond, purchased by Eastern Bank helped to fund the project.
- In 2015, Eastern Bank extended a \$6.0 million loan to construct a 70-unit building on the campus of Edith Nourse Rogers Memorial Veterans Hospital in Bedford, MA. All 70 units are affordable rental units for homeless and at risk veterans. The loan bridged the receipt of equity and subsidy sources, including capital contributions from Low-Income Housing Tax Credits and affordable housing subsidies from the Commonwealth of MA.
- In 2016, the bank extended an \$8.9 million loan to a CDC to develop a building in Chinatown, MA into 51 units of affordable housing condominiums. Income-qualified applicants according to price and income limits established by the Boston Redevelopment Authority occupy the units.
- In 2016, the bank participated in an \$8.8 million loan and a \$10.8 million loan to develop a mixed use building in a low-income census tract in Roxbury Crossing, MA. With the proceeds, a Boston housing agency constructed 40 units of affordable housing and community focused retail space. A Housing Partnership occupies the retail space and Eastern Bank will be opening a branch in the building in 2018. The bank received credit for approximately \$4.3 million and \$5.3 million of the participation loans.
- In 2016, the bank extended a \$250,000 line of credit to a non-profit organization in Yarmouth Port, MA. The organization builds affordable housing for low- and moderate-income individuals and families in need on Cape Cod. The line of credit supported several housing projects and bridged the gap between the receipts of grant funding.

- In 2017, the bank originated a \$2.0 million term loan to a non-profit organization in Concord, NH. The organization helps low-income families and seniors in manufactured housing communities acquire the land they occupy to operate their own cooperatives. Additionally, the organization provides financing to resident cooperatives for the down payment. The line of credit provided the organization with capital for new lending opportunities.
- In 2017, Eastern Bank extended an \$8.7 million loan to finance the construction of an apartment complex in Raynham, MA. The property will contain 60 units, of which 15 will be affordable. The bank received credit for approximately \$2.2 million of the loan.
- In 2017, the bank participated in a \$13.2 million loan to a non-profit CDC in conjunction with JP Morgan Chase Bank NA. The organization works to revitalize the physical, social, and economic landscape of Lawrence, MA. The financing repurposed an old mill building into 73 units of affordable housing in a low-income area of Lawrence. Eastern Bank purchased 49.0 percent of the loan and received credit for approximately \$6.5 million of the loan.
- Over the evaluation period, the bank originated 21 SBA 504 loans throughout the combined assessment area. All originated SBA loan had loan amounts in excess of \$1.0 million. The SBA 504 loan program is an economic development program that offers small businesses an alternative method of financing that supports business and job growth. The SBA loans totaled approximately \$35.5 million.

## **INVESTMENT TEST**

Eastern Bank's Investment Test performance is rated Outstanding. Performance in the Multistate MSA primarily drives its overall performance.

The bank has an excellent level of qualified investments. The bank exhibits excellent responsiveness to credit and community economic development needs. The bank makes significant use of innovative and complex investments to support community development initiatives. Eastern Bank increased the number of equity investments since the previous evaluation and grew investments at a faster rate than bank growth. This continued investment growth exhibits the bank's commitment to their community, especially considering the significant competition in the combined assessment area.

## **Investment Activity**

Eastern Bank has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.

From September 15, 2014 through January 22, 2018, Eastern Bank and the Charitable Foundation (Foundation) made 2,879 qualified investments and charitable grants totaling approximately \$258.8 million. Of these, 81 for approximately \$244.5 million are equity

investments. This equates to 2.5 percent of average total assets and 22.6 percent of average securities since the last evaluation. The level of qualified investments is a significant increase from \$96.0 million since the previous evaluation. Acquiring additional investments from the Centrix merger and creating the Shared Value Investments, LLC in 2015 contributed to the investment increase.

The following two tables depict the number and dollar volume of investments and grants by year, purpose, and rated area.

Combined Assessment Area Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	15	33,280	7	15,849	9	3,229	1	5,080	0	0	32	57,438
2014	8	62,099	4	14,539	0	0	0	0	0	0	12	76,638
2015	11	45,156	3	9,614	0	0	1	2,790	0	0	15	57,560
2016	5	19,083	7	3,527	0	0	0	0	0	0	12	22,610
2017	4	12,222	4	6,285	0	0	1	10,820	0	0	9	29,327
YTD 2018	0	0	1	1,000	0	0	0	0	0	0	1	1,000
<b>Subtotal</b>	<b>43</b>	<b>171,840</b>	<b>26</b>	<b>50,814</b>	<b>9</b>	<b>3,229</b>	<b>3</b>	<b>18,690</b>	<b>0</b>	<b>0</b>	<b>81</b>	<b>244,573</b>
Qualified Grants & Donations	231	1,054	2,428	12,539	138	633	1	1	0	0	2,798	14,227
<b>Total</b>	<b>274</b>	<b>172,894</b>	<b>2,454</b>	<b>63,353</b>	<b>147</b>	<b>3,862</b>	<b>4</b>	<b>18,691</b>	<b>0</b>	<b>0</b>	<b>2,879</b>	<b>258,800</b>
Source: Bank Records												

Qualified Investments by Rated Area												
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Multistate MSA	225	144,571	2,139	51,756	130	1,564	4	18,691	0	0	2,498	216,582
State of MA	22	3,122	109	443	12	24	0	0	0	0	143	3,589
State of NH	17	1,717	203	9,994	1	10	0	0	0	0	221	11,721
Statewide Regional	10	23,484	3	1,160	4	2,264	0	0	0	0	17	26,908
<b>Total</b>	<b>274</b>	<b>172,894</b>	<b>2,454</b>	<b>63,353</b>	<b>147</b>	<b>3,862</b>	<b>4</b>	<b>18,691</b>	<b>0</b>	<b>0</b>	<b>2,879</b>	<b>258,800</b>
Source: Bank Records												

### Equity Investments

The bank made 81 qualified equity investments totaling \$244.5 million. Of these, 49 equity investments totaling approximately \$187.1 million are new. During the review period, the bank maintained 32 prior period investments totaling approximately \$57.4 million.

Of the total investments by dollar amount, 67.0 percent promote affordable housing, followed by 24.0 percent promoting community development services. These investments demonstrate the bank's commitment to affordable housing activities, which are community development needs, identified by community contacts throughout all assessment areas. The following represents examples of current and prior period investments.

#### *Current Period Investments*

- *Low-Income Housing Tax Credits (LIHTC)* – In 2015, 2016 and 2017, the bank invested in four LIHTCs totaling \$16.7 million. These investments benefit the combined assessment area and broader statewide regional area and support affordable housing. Eastern Bank made two additional investments in a LIHTC project totaling \$3.7 million and \$2.4 million. These investments directly benefit affordable housing projects in the Multistate MSA. LIHTCs are complex, requiring considerable ongoing management attention, and expertise due to the technical accounting requirements associated with the administering the investment over time. They are also responsive as affordable housing was determined to be a primary need.
- *Cottage Brook Apartments* – In 2015, the bank invested in two Massachusetts Development Finance Agency (MDFA) Revenue Bonds totaling \$11.6 million to rehabilitate a 147-unit affordable housing development in a low-income area benefiting the Multistate MSA. All units benefit from a Section 8 Housing Assistance Contract with the U.S. Department of Housing and Urban Development (HUD).
- *BCC Solar* – In 2015, the bank invested in a New Market Tax Credit and Renewable Energy Tax Credit totaling \$5.7 million to create clean renewable energy in low-income communities. Solar installations are at five sites with affordable housing. The installations are in low-income communities and directly benefit residents through savings on utility costs. The investment benefits the combined assessment areas and broader statewide regional area.
- *Crancarp LP* – In 2015, the bank invested in a MDFA Multi-Family Revenue Bond totaling approximately \$3.1 million. This responds to the affordable housing need in the Providence-Warwick MSA. The investment is to renovate a 24-unit affordable housing residence in Taunton. All units are affordable to households earning less than 60 percent of the area median family income with three units further restricted to households earning less than 30 percent of the median family income.
- *New Hampshire Community Development Finance Agency (NHCDFA)* – In 2016 and 2017, the bank made 10 investments totaling \$312,000. These investments assist the organization in providing affordable housing, creating employment opportunities, and promoting economic development. Of these, nine investments totaling \$262,000 directly benefit the Manchester-Nashua MSA. One investment that benefited a broader statewide regional area including the assessment area totaled \$50,000.

- *New Hampshire Community Loan Fund (NHCLF)* – In 2018, the bank made a \$1 million investment into the NHCLF. The investment provides access to housing and productive resources for lower-income households and other disadvantaged individuals. The investment benefits individuals in a broader statewide regional area including the two NH assessment areas (Manchester-Nashua MSA and the Non-MSA).

#### *Prior Period Investments*

- *Job Training and Employment* – The bank maintains a prior period investment in a Massachusetts Development Bond with an outstanding book value of approximately \$1.9 million. This non-profit organization provides employment and training services to individuals requiring assistance to obtain unsubsidized employment. Bond proceeds will purchase property as well as refinance the current property. The investment benefits a broader statewide regional area including the Providence-Warwick MSA and Barnstable Town MSA assessment areas.
- *WFH Housing, LLC* – Eastern Bank issued two MDFA Multifamily Housing Revenue Bonds with a book value totaling \$7.5 million as of December 31, 2017. The bonds are to finance a 20 year Section 8 housing contract from HUD for 72 apartment units. The investment directly benefits the Multistate MSA assessment area.
- *Low-Income Housing Tax Credits* – Eastern Bank maintains six LIHTC Investments totaling \$6.9 million as of December 31, 2017. Proceeds will be used to develop affordable housing and benefit a broader statewide regional area, including the combined assessment area.

#### *Investments resulting from the Centrix Merger*

- *Rivers Edge Manchester LLC* – The bank maintains a Manchester Housing and Redevelopment Bond with a \$1.4 million book value to provide affordable housing benefiting the Manchester-Nashua MSA.
- *Wediko Childrens Services Inc.* – The bank maintains an investment to a social services organization supporting low- and moderate-income individuals. The investment maintains a book value of approximately \$3.6 million and benefits a broader statewide regional area including the NH assessment areas.
- *Bow Highlands* – The bank maintains one LIHTC investment. The investment carries an \$81,668 book value. The investment is to develop affordable housing and benefits Bow, NH within the Non-MSA assessment area.

#### Donations

- *Asian American Civic Association (AACA)* – AACA provides limited English speaking and economically disadvantaged individuals with education, occupational training, and social services to help them become economically self-sufficient. The organization

primarily serves Boston and the surrounding area. Eastern Bank's contribution promotes community development services in the Multistate MSA.

- *North Shore Community Development Coalition* – North Shore CDC invests social, human, and economic capital into revitalizing low-income or distressed neighborhoods within the North Shore. Eastern Bank's contribution promotes revitalization and stabilization in the Multistate MSA and assists this organization with neighborhood-based programs that bring opportunity to low-income residents.
- *Compass Working Capital* – Compass Working Capital is an innovative non-profit organization that provides financial services to low-income families in Lynn. Compass Working Capital focuses on three main elements: financial education workshops, financial coaching, and savings incentives designed to help families build their savings.
- *Housing Assistance Corporation (HAC) of Cape Cod* – This non-profit organization offers a continuum of housing programs that evolve with the community's changing needs. HAC educates, trains, and counsels with its consumer education department; weatherizes and conducts energy rehabs for low-income and market-rate properties; develops affordable-housing for seniors, families and individuals; and provides an opportunity to become a homeowner with a full-service non-profit real estate office. HAC also provides emergency shelter and homelessness prevention assistance. The contribution promotes affordable housing in the Barnstable Town MSA.
- *Front Door Agency* – The Front Door Agency is a non-profit organization in Nashua, NH. It provides access to transitional housing, homeless prevention and intervention, crisis advocacy and resource education, as well as financial literacy. The contribution promotes community development services for low- and moderate-income individuals in the Manchester-Nashua MSA.
- *Jericho Road Project Concord, NH* – This organization extends support services to non-profit organizations that provide affordable housing, social services, and health care, particularly to those in low-income communities. Contributions assist the Jericho Road Project in Concord, NH, and benefit the Non-MSA assessment area.
- *Boys and Girls Club of Taunton* – The Boys and Girls Club of Taunton provides a safe community for children to learn and grow without regard to income status. The bank's contribution benefits the Providence-Warwick, MSA. Contributions assist the Boys and Girls Club in offering programs related to childcare, after school programs, and financial literacy to low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

Eastern Bank exhibited excellent responsiveness to credit and community development needs. The bank continues to be a leader in providing LIHTC investments. Since the prior evaluation, the bank funded approximately \$20.4 million in new commitments to LIHTCs among its assessment areas and statewide regional area. Additionally, the bank maintained \$6.9 million in

prior period LIHTC investments. LIHTCs, through a federal program help stimulate the construction and rehabilitation of affordable rental housing. Of all affordable low-income housing developments in the United States, approximately 90 percent use LIHTCs. Investors purchase the LIHTCs through developer intermediaries to obtain a reduction in federal taxes owed. This investment type was particularly responsive given the high housing costs and the need for affordable housing throughout the assessment areas. Additionally, community contacts highlighted tax credit projects as a need and they will continue to be necessary for future affordable housing and economic and income growth. This further demonstrates the bank's responsiveness to the community.

Eastern Bank also demonstrated excellent responsiveness to small business needs. The bank in partnership with local universities conducted extensive research to identify significant needs for small businesses. The bank identified that small businesses, particularly minority-owned businesses, have difficulty growing and expanding their businesses. Consequently, the bank launched the Business Equity Initiative (BEI) to address this need and provide technical assistance, capital, and networking opportunities. The Innovativeness or Complexity of Qualified Investments section that follows further explains this initiative.

In addition to Eastern Bank's large investments, the bank made a large number of grants that supported low- and moderate-income individuals. The Foundation serves as the bank's charitable arm. Together, Eastern Bank and the Foundation invested approximately \$14.2 million in community development grants since the prior evaluation. Each year, the Foundation supports a designated need facing the community. In 2015, the designated need was to support violence prevention. In 2016, the Foundation allocated grants toward strengthening families. In 2017, the grant category was supporting community immigrants. Other grants supported financial literacy, affordable housing, and a wide range of community development activities. The bank targeted donations to some of the lowest income individuals and areas.

### **Innovativeness or Complexity of Qualified Investments**

Eastern Bank makes significant use of innovative and/or complex investments to support community development initiatives. The bank's qualified investments and grants were both innovative and complex.

Eastern Bank's unique self-created program, BEI, is an example of an innovative and complex investment. Established in 2017, the bank committed \$10 million over a 3-year period to BEI. The program helps mitigate the growing income inequalities among the city's Latino and Black communities and businesses. The BEI project includes three main initiatives. The first initiative involves partnering minority small businesses with strategic advisors to facilitate business development and achieve a common goal. The bank pairs the small business with a strategic advisor who has the expertise and skills needed to help grow the business, create strategic growth plans, and help the small businesses execute the business plans. The bank pays 80 percent of the advisor's salary with the remaining 20 percent paid by the small business. The second initiative is the pace setter initiative. Eastern Bank provided the seed funding working with the Greater Boston Chamber of Commerce to work with large companies to help diversify their suppliers. The bank connects small businesses with these large companies to network and develop



contracts. The third initiative is funding. The BEI improves access to capital by creating a loan fund. During the evaluation period, the bank extended over \$1 million in community development grants.

LIHTCs are other investments that are complex. They are complex due to the special due diligence and technical expertise required on the investor's part to maintain proper portfolios. Investors must oversee the project to ensure that it meets underwriting guidelines, monitor cash flow including the expenses and debt service, and ensure that rents fall within the LIHTC guidelines.

## **SERVICE TEST**

The Service Test is rated Outstanding. The sections below discuss the bank's performance under each criterion. Performance in the Multistate MSA primarily drives overall performance.

The bank's delivery systems are readily accessible to all portions of its assessment areas. To the extent changes have been made, Eastern Bank's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. Additionally, the bank continues to be a leader in providing community development services throughout its assessment areas.

### **Accessibility of Delivery Systems**

Eastern Bank's delivery systems are readily accessible to all portions of its assessment areas. Alternative delivery systems supplement the bank's branches.

#### *Distribution of Branches*

The bank maintains 93 branches and 109 ATMs within the combined assessment area. As displayed in the following table, the branch and ATM distribution is comparable to the percentage of the population in low- and moderate-income geographies. This demonstrates an excellent level of commitment to serving the needs of low- and moderate-income communities through retail services.

<b>Combined Assessment Area Branch and ATM Distribution by Census Tract Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	116	10.4	399,770	8.6	9	9.6	12	11.0
Moderate	213	19.2	899,478	18.5	19	20.4	23	21.1
Middle	463	41.6	2,198,724	44.1	43	46.3	49	44.9
Upper	305	27.4	1,495,130	28.7	22	23.7	25	23.0
NA	15	1.3	4,000	0.1	0	0.0	0	0.0
<b>Total</b>	<b>1,112</b>	<b>100.0</b>	<b>4,997,102</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>	<b>109</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; Bank Records</i>								

Included in the 109 ATMs are 16 standalone ATMs that have both deposit taking and/or cash dispensing functions. Since the last evaluation, Eastern Bank established 11 ITMs. ITMs accept deposits, dispense cash, and look like an ATM. However, they provide a real time, face-to-face conversation with a teller using video cameras. All tellers are Eastern Bank employees, working from the Customer Service Center in Lynn, MA. ITMs help Eastern Bank provide and expand services. The ITMs are in Cambridge, Lynn (3), Lynnfield, Melrose, Reading, Revere, Salem, Wakefield, and Westford. Of the 11 ITMs, 3 are in upper-income tracts, 4 are in middle-income tracts, and 4 are in low-income tracts. The bank also offers online banking, mobile banking, and a Call Center.

### **Changes in Branch Locations**

To the extent changes have been made, Eastern Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous CRA evaluation, the bank opened, closed, relocated, and consolidated branches. Eastern Bank added eight new branches. The bank acquired six NH branches through the Centrix merger and two are in Lawrence and Revere, MA. Of the eight new branches, three are in low- and moderate-income census tracts.

The 10 closed branches did not have an adverse effect on accessibility to low- and moderate-income geographies or individuals. Of the 10 closed branches, the bank consolidated 2 in low- and moderate-income areas into other close by branches. In addition, Eastern Bank opened 8 ATMs and 11 ITMS and closed 13 ATMs.

### **Reasonableness of Business Hours and Services**

Eastern Bank's retail services do not vary in a way that inconveniences certain portions of the assessment areas. With 93 branches, there are some differences in hours. No unexplained differences in the hours, products, or services offered. All branches are open Monday through Saturday. Additionally, seven branches provide Sunday hours and service.

### **Community Development Services**

The institution is a leader in providing community development services.

Eastern Bank employees contributed more than 17,000 community service hours in the review period to more than 200 agencies and organizations. Employees devoted time to community development organizations supporting affordable housing, community services, economic and workforce development, neighborhood revitalization and stabilization initiatives, first-time homebuyer seminars, financial literacy, and mortgage education activities. The following tables summarize the community development service hours by year, purpose, and area.

Community Development Services Combined Assessment Area						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2014	700	3,822	479	75	0	<b>5,076</b>
2015	903	4,432	833	620	0	<b>6,788</b>
2016	521	3,629	1,028	144	0	<b>5,322</b>
<b>Total</b>	<b>2,124</b>	<b>11,883</b>	<b>2,340</b>	<b>839</b>	<b>0</b>	<b>17,186</b>
<i>Source: Bank Records</i>						

Community Development Services by Rated Area						
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
Multistate	1,852	10,216	2,125	839	0	<b>15,032</b>
State of MA	212	278	75	0	0	<b>565</b>
State of NH	0	1,329	140	0	0	<b>1,469</b>
Regional Activities	60	60	0	0	0	<b>120</b>
<b>Total</b>	<b>2,124</b>	<b>11,883</b>	<b>2,340</b>	<b>839</b>	<b>0</b>	<b>17,186</b>
<i>Source: Bank Records</i>						

The following highlights a few of the community development services and programs. Examples from each assessment area follow.

#### Employee Involvement

- *Greater Boston Food Bank* – The Greater Boston Food Bank is committed to increasing access to food and provide at least one meal to every person in need in Eastern MA. The bank has had a longstanding partnership with the Greater Boston Food Bank. Eastern Bank’s President serves on the Board. Board participation addresses the hunger needs and benefits a statewide regional area including the MA assessment areas.
- *Cape and the Islands United Way* – The Cape and the Islands United Way serves low- and moderate-income individuals in the community through health and human services, education, and housing. This organization relies on partnerships between local non-profit organizations with a community development mission and community members. All collaborative efforts directly benefit low- and moderate-income residents including the Barnstable Town MSA. A senior vice president (SVP) serves on the Board.
- *Northshore Workforce Investment Board (Board)* – The Board serves as the oversight and policy making body for federally funded employment and training services in the region. The Board addresses economic development issues in the North Shore of MA. The bank

continues to have a partnership and representation with the Northshore Workforce Investment Board. An executive vice president serves as Board Chairperson.

- *South Eastern Economic Development Corporation (SEED)* – SEED focuses on creating jobs by financing all types of small business in MA and RI. SEED makes loan ranging from a \$1,000 micro loan to a \$5.5 million SBA 504 Loan and administers a small business technical assistance program. A SVP serves on the Board. Employee participation meets an economic development purpose and benefits a statewide regional area, including the Providence-Warwick MSA.
- *Capital Regional Development Corp* – This Corporation focuses on non-traditional financing for small businesses in high impacts areas such as Manchester, Concord, Claremont, Newport, and Franklin, NH. A SVP of Commercial Banking serves on the Board. Board participation benefits both the Manchester-Nashua MSA and the Non-MSA assessment areas.
- *Regional Economic Development Council of NH (Council)* – The Council is a private, non-profit organization that offers technical assistance, financing through various funding sources and business development training in 37 communities of Rockingham County and 5 of Hillsborough County. The Council promotes economic development by creating jobs for low- and moderate-income individuals. This occurs through providing alternative financing for business expansion and relocation, which in turn provides tax relief for the area. A SVP of Business Banking serves as Treasurer. Participation benefits economic development efforts in the Multistate MSA and Manchester-Nashua MSA.
- *Massachusetts Housing Investment Corporation (MHIC)* – MHIC is a private investor and lender specializing in financing affordable housing and community development throughout New England. The bank continues to have a longstanding partnership with this organization. The Vice Chairman serves on the Board of Directors. This involvement level is particularly responsive and impactful as Eastern Bank has LIHTC investments, loans, and Board participation with this organization.
- *Asian Community Development Corporation (ACDC)* – A SVP serves on the Board. ACDC serves the Asian American community in the Greater Boston area with an emphasis on preserving and revitalizing Boston's Chinatown. The ACDC is a leader in developing and preserving affordable housing in Greater Boston.
- *Brockton 21* – A SVP serves as Treasurer for the Brockton 21<sup>st</sup> Century Corporation (Corporation). This Corporation enhances the position, image, and perception of the City of Brockton as a desirable place to live and work. Brockton 21<sup>st</sup> Century Corporation encourages financial investment, business development, and job creation and retention through economic development. The Corporation focuses efforts on Brockton's more economically challenged areas to promote area development.

## Financial Literacy Education and Seminars

- *Financial Literacy Programs* – The bank participates in the FDIC Money Smart Program, which helps low- and moderate-income individuals outside the financial mainstream enhance their financial skills and create positive banking relationships. Over 50 certified employees teach the curriculum. Employees also participate in Senior Fraud Prevention classes that target low- and moderate-income seniors. Over the evaluation period, there were 77 financial literacy classes. The bank held these with community development organization such as the Asian American Civic Association, YMCA Training Inc., Lawrence Technical School, and Nuestra Comunidad Development Corporation.
- *First Time Homebuyer Program* – The bank provides first-time homebuyers classes that target low- and moderate-income individuals. During the evaluation period, there were 82 classes. The bank held these with the HAC Cape Cod, Neighborhood of Affordable Housing, Plymouth Redevelopment Authority, Merrimack Valley Housing Partnership, Lawrence Community Works, and other organizations.
- *Everfi* – With the Lawrence branch opening in 2014, the bank partnered with this online financial literacy program in a targeted campaign to promote financial literacy to low- and moderate-income individuals in the Merrimack Valley. Topics included savings, investments, mortgages, overdrafts, payment types, credit history, identity protection, insurance, taxes, and financing higher education. In addition to the targeted campaign, bank customers can access the program at no cost through the bank's website. Since implementation, the Everfi program resulted in 5,059 individuals impacted, 7,569 modules completed, and 1,010 hours of learning time.

## Affordable Housing Grants/Loan Services

Eastern Bank also offers the following services supporting affordable housing and small business lending.

- *Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP)* – This program allows the FHLB to address affordable housing needs in New England. The FHLB uses a portion of its net earnings to provide grants and low-interest advances or loans through member institutions. The participating institutions work with local housing organizations to apply for funds that serve very low- to moderate-income individuals and families. Eastern Bank participates in sponsoring applications on behalf of housing sponsors. Eastern Bank sponsored 11 grant applications over the evaluation period totaling approximately \$5.1 million.
- *Accion Referral Program* – Accion is a non-profit community lender consisting of four certified Community Development Financial Institutions (CDFI). Accion provides financing, advice, and support to small businesses including women-owned, minority-owned, and veteran-owned businesses. For small businesses that do not meet the bank's lending criteria, the bank will introduce the customer to Accion. The bank's referral

partnership resulted in 80 originations totaling approximately \$1.2 million since the last evaluation.

#### Other Services

- *Community Rooms* – Eastern Bank makes physical space available free of charge for use by community development organizations. These 13 community rooms are in the bank’s primary offices as well as numerous branches. Three are in low- and moderate-income census tracts. The Massachusetts Communities and Banking Council, Friends of the Children-Boston, and SCORE are examples of community development organizations that have used the rooms during the evaluation period.
- *Basic Banking in Massachusetts* – The bank participates in the Massachusetts Community and Banking Council’s Basic Banking Program. This statewide program expands access to bank products and services and encourages those with modest incomes to establish banking relationships.

## **MULTISTATE METROPOLITAN AREA - BOSTON-CAMBRIDGE-NEWTON, MA-NH MSA**

**CRA RATING FOR BOSTON-CAMBRIDGE-NEWTON, MA-NH MSA: Outstanding**

**The Lending Test is rated: Outstanding**

**The Investment Test is rated: Outstanding**

**The Service Test is rated: Outstanding**

### **SCOPE OF EVALUATION**

The scope is similar to the overall scope discussed previously, except that this portion of the evaluation only considers activity within the Boston-Cambridge-Newton, MA-NH MSA portion of the combined assessment area. In this section, the term Boston-Cambridge-Newton, MA-NH MSA (Multistate MSA) is used. It captures only those activities within the portion of the MSA in which the bank defined its assessment area. The bank designated a single assessment area within a portion of the Multistate MSA. A significant portion of branches and a majority of deposits and lending activities were in this area. Therefore, the bank's performance in this Multistate MSA carries more weight in arriving at overall ratings than the bank's performance by state. Please refer to the overall discussion for more information on products reviewed, review timeframe, and weighting of products.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN BOSTON-CAMBRIDGE-NEWTON, MA-NH MSA**

The bank maintains 83 branches in this area, including the main office. This represents approximately 89.2 percent of the bank's branches. As mentioned previously, the bank expanded its assessment area after the Centrix merger to include some municipalities in Rockingham and Strafford Counties in NH and the towns of Dunstable and Pepperell in MA. Since the last evaluation, the bank opened four new branches and closed eight branches in the Multistate MSA. The bank offers the same products and services in the Multistate MSA as discussed in the combined assessment area section. The Multistate MSA assessment area includes towns and cities in Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties in MA and Rockingham and Strafford Counties in NH. Please refer to the listing, *Combined Assessment Area Cities and Towns*, in the Description of Assessment Area section for further details on the towns and cities in the Multistate MSA.

The Multistate MSA contains 944 census tracts with the following income designations.

- 105 low-income tracts,
- 186 moderate-income tracts,
- 378 middle-income tracts,
- 261 upper-income tracts, and
- 14 census tracts with no income designation.

The following table illustrates select demographic characteristics of the Multistate MSA.

Demographic Information of the Assessment Area Multistate MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	944	11.1	19.7	40.0	27.6	1.5
Population by Geography	4,221,936	9.3	19.5	42.8	28.3	0.1
Housing Units by Geography	1,740,104	8.9	20.0	43.9	27.1	0.0
Owner-Occupied Units by Geography	1,000,423	3.3	14.5	48.5	33.6	0.0
Occupied Rental Units by Geography	615,889	17.2	28.5	36.7	17.5	0.0
Vacant Units by Geography	123,792	12.2	23.1	42.4	22.3	0.0
Businesses by Geography	311,440	6.6	13.9	41.7	37.6	0.2
Farms by Geography	5,652	2.1	10.0	51.6	36.4	0.0
Family Distribution by Income Level	1,012,075	22.7	16.8	20.7	39.8	0.0
Household Distribution by Income Level	1,616,312	26.2	14.9	17.4	41.4	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$83,664	Median Housing Value Median Gross Rent Families Below Poverty Level			\$407,734 \$1,150 6.9%
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$90,625				
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH MD		\$85,547				
Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2016 D&B data, there were 311,440 businesses in the assessment area. GARs for these businesses are below.

- 83.3 percent have \$1 million or less.
- 7.2 percent have more than \$1 million.
- 9.5 percent have unknown revenues.

Business demographics indicate that the majority of businesses in the Multistate MSA are small businesses with four or fewer employees. Specifically, 71.2 percent of businesses employ 4 or fewer employees and 88.5 percent operate from a single location. Service industries represent the largest portion of businesses at 49.3 percent; followed by retail trade at 12.6 percent; finance, insurance, and real estate at 9.7 percent; construction at 7.9 percent; and non-classifiable establishments at 7.1 percent.

Examiners used the 2015 and 2016 FFIEC-updated median family income level to analyze home mortgage loan under the Borrower Profile criterion. The following table presents low-, moderate-, middle-, and upper-income categories.



Median Family Income Ranges Multistate MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Boston, MA MD Median Family Income (14454)</b>				
2015 (\$90,000)	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
<b>Rockingham County-Strafford County, NH MD Median Family Income (40484)</b>				
2015 (\$89,200)	<\$44,600	\$44,600 to <\$71,360	\$71,360 to <\$107,040	≥\$107,040
2016 (\$87,900)	<\$43,950	\$43,950 to <\$70,320	\$70,320 to <\$105,480	≥\$105,480
<i>Source: FFIEC</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are over 1.7 million housing units in the Multistate MSA. Of the owner-occupied housing units, 3.3 percent are in low-income census tracts and 14.5 percent are in moderate-income census tracts. According to September 2016 data from Moody's Regional Workstation (Moody's), the Boston, MA MD, the Cambridge-Newton-Framingham, MA MD, and the Rockingham-Strafford, NH MD continue to benefit from rising home prices. In the Boston, MA MD and the Cambridge-Newton-Framingham, MA MD, high incomes in the technology and health care sectors continue to bolster housing demand. However, the housing supply in these areas is relatively limited and there has been an increase in construction. Similarly, the rising income levels in the Rockingham-Strafford, NH MD are fueling demand and rising housing prices. However, Moody's indicates that housing is still affordable in this area.

According to September 2016 data from Moody's, the Boston, MA MD; the Cambridge-Newton-Framingham, MA MD; and the Rockingham-Strafford, NH MD are relatively economically similar. The unemployment rates in each MD fell over the evaluation period. As of September 2016, the unemployment rates for the Boston, MA MD; the Cambridge-Newton-Framingham, MA MD; and the Rockingham-Strafford, NH MD were 4.0 percent, 3.6 percent, and 2.9 percent, respectively. As of 2016, the top employers in the Boston, MA MD included Massachusetts General Hospital, Brigham and Women's Hospital, and Beth Israel Deaconess Hospital. The top employers in the Cambridge-Newton-Framingham, MA MD included Harvard University, Massachusetts Institute of Technology, and Novartis Institute of Technology. Lastly, the top employers in the Rockingham-Strafford, NH MD included Genesis Healthcare, Shaw's Supermarkets, and Wentworth-Douglass Hospital.

### **Competition**

In addition to the demographic composition and economic environment of the area, competition from other financial intermediaries is also a significant performance context factor. As of June 30, 2017, 123 FDIC-insured institutions operating 1,426 offices were within the area. The bank

ranked 6<sup>th</sup> in total deposits and captured 2.8 percent of the market. Eastern Bank was the top rated regional bank in deposit market share for the Multistate MSA assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BOSTON-CAMBRIDGE-NEWTON, MA-NH MSA**

### **LENDING TEST**

The bank's Lending Test performance is rated Outstanding. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect excellent responsiveness to assessment area credit needs. In 2015 and 2016, Eastern Bank originated 5,910 small business loans totaling approximately \$837.7 million, and 4,788 home mortgage loans totaling approximately \$1.2 billion in the Multistate MSA.

In 2015, the bank ranked 8<sup>th</sup> out of 180 lenders that originated or purchased a small business loan in the Multistate MSA. Eastern Bank was the highest ranked state-chartered institution, capturing 3.1 percent market share by number, outperformed mainly by credit card companies. The top ranked lender was American Express, FSB, with 28.0 percent market share, followed by Bank of America, N.A., with 11.5 percent market share. Eastern Bank held the highest market share by dollar amount in 2015, accounting for 11.2 percent of the market share.

In 2016, the bank ranked 9<sup>th</sup> out of 189 lenders that reported a small business loan in this assessment area. Eastern Bank remained the highest-ranked state institution, with a 2.5 percent market share. In addition, the bank earned the highest market share by dollar amount in the Multistate MSA, at 10.4 percent. The top ranked lenders for small business loans were credit card companies. These include American Express, FSB, ranked 1<sup>st</sup>; Citibank, N.A., ranked 2<sup>nd</sup>; and Bank of America, N.A.; ranked 3<sup>rd</sup>. The top three lenders held a combined market share of 51.0 percent.

Eastern Bank ranked 14<sup>th</sup> out of 661 lenders that originated or purchased a home mortgage loan within the Multistate MSA portion of the assessment area in 2015. The bank held a 1.5 percent market share. The only MA-state headquartered lenders that outperformed Eastern Bank are Leader Bank, ranked 5<sup>th</sup>, and Salem Five Mortgage Company, LLC, ranked 12<sup>th</sup>. The top three ranked lenders consist of JP Morgan Chase Bank, NA, with 6.4 percent market share; Wells Fargo Bank, NA, with 5.2 percent market share; and loanDepot.com, LLC, with 3.6 percent market share.

In 2016, the bank ranked 16<sup>th</sup>, with 1.5 percent market share, out of 681 lenders that reported a home mortgage loan in the Multistate MSA portion of the assessment area. The majority of lenders ranked higher than Eastern Bank consist of large national banks and mortgage companies. Wells Fargo Bank, NA; JP Morgan Chase Bank, NA; and loanDepot.com, LLC comprised the top three ranked lenders in 2016.

## **Geographic Distribution**

The geographic distribution of loans reflects excellent penetration throughout the assessment area. The bank's excellent performance of small business lending and good performance of home mortgage lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. The bank's 2015 performance in lending in low-income census tracts exceeded both aggregate performance and demographics. Market share rankings further support excellent performance. Eastern Bank ranked 8<sup>th</sup> out of 79 lenders that originated or purchased a small business loan in low-income census tracts in the Multistate MSA in 2015. Credit card companies and large national banks were the only lenders that outperformed Eastern Bank. American Express, FSB; Bank of America, N.A.; and Capital One Bank (USA), N.A.; comprise the top 3 lenders, capturing a combined 46.8 percent market share in low-income tracts. Eastern Bank held a market share of 4.3 percent.

In 2016, Eastern Bank showed improved performance in lending in low-income census tracts, as the amount by which the bank exceeded aggregate and demographic data increased. The bank held a 3.9 percent market share, ranking 9<sup>th</sup> out of 93 lenders that originated a small business loan in a low-income census tract in the Multistate MSA in 2016. Eastern Bank was highest ranked state institution. Top performers include credit card lenders such as American Express, FSB; Bank of America, N.A.; and Citibank, N.A.

Eastern Bank's 2015 performance in lending in moderate-income census tracts exceeded aggregate performance and demographic data. Market share rankings also support excellent performance. The bank earned 3.5 percent market share, ranking 8<sup>th</sup> out of 104 lenders that originated or purchased a small business loan in moderate-income census tracts in the Boston-Cambridge-Newton, MA-NH MSA in 2015. Eastern Bank was the top ranked state-chartered institution. American Express, FSB; Bank of America, N.A.; and Capital One Bank (USA), N.A. comprised the top three ranked lenders, accounting for 46.8 percent market share.

Performance in 2016 improved, with Eastern Bank increasing the amount by which its performance exceeded the percentage of moderate-income tracts. Eastern Bank ranked 9<sup>th</sup> out of 113 lenders that reported a small business loan in a moderate-income census tract in this assessment area in 2016, remaining the highest-ranked state institution. Lenders ranked above Eastern Bank consist of large national credit card lenders, including the top three reporters, American Express, FSB; Bank of America, N.A.; and Citibank, N.A.

The bank operates 28 or 33.7 percent of its 83 branches in the Multistate MSA, in low- and moderate-income tracts. Overall, considering the highly competitive market, the relatively limited number of businesses in low- and moderate-income tracts, market share rankings, and branching structure, the distribution of loans reflects excellent penetration.

Geographic Distribution of Small Business Loans						
Multistate MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	6.5	5.7	218	7.4	36,707	8.8
2016	6.6	5.7	240	8.1	33,342	7.9
Moderate						
2015	13.9	13.6	435	14.7	56,033	13.4
2016	13.9	13.9	466	15.8	62,283	14.8
Middle						
2015	41.8	44.2	1,397	47.3	189,839	45.5
2016	41.7	43.4	1,410	47.7	193,373	46.1
Upper						
2015	37.6	36.2	891	30.2	130,861	31.4
2016	37.6	36.8	825	27.9	126,644	30.2
Not Available						
2015	0.2	0.3	14	0.5	3,555	0.9
2016	0.2	0.2	14	0.5	4,057	1.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>2,955</b>	<b>100.0</b>	<b>416,995</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>2,955</b>	<b>100.0</b>	<b>419,699</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects good penetration throughout the Multistate MSA assessment area. Examiners focused on the comparison to aggregate market performance, market share rankings, and demographics.

Eastern Bank's 2015 performance of lending in low-income census tracts was slightly higher than aggregate performance and exceeded the percentage of owner-occupied housing units in low-income census tracts. The bank ranked 14<sup>th</sup> out of 349 lenders that originated or purchased a home mortgage loan in this assessment area in 2015, with 1.6 percent market share. Leader Bank, ranked 10<sup>th</sup> with 2.1 percent market share, and Sage Bank, ranked 13<sup>th</sup> with 1.7 percent market share, are the only state banks to rank above Eastern Bank. The top three lenders include Wells Fargo Bank, NA, with 6.0 percent market share; Ditech Financial LLC, with 3.9 percent market share, and Residential Mortgage Services, with 3.7 percent market share.

In 2016, performance of home mortgage lending in low-income census tracts remained consistent by loan number. The bank's performance was in-line with aggregate performance and continued to exceed demographic data. Eastern Bank held 1.5 percent market share in 2015,

ranking 16<sup>th</sup> of 357 lenders reported a home mortgage loan in a low-income census tract in this area. The majority of lenders ranked higher than Eastern Bank consist of large national banks and mortgage companies. Wells Fargo Bank, NA; Guaranteed Rate Inc.; and Residential Mortgage Services comprise the top three lenders, accounting for a combined 12.7 percent market share.

The bank's 2015 home mortgage lending performance in moderate-income census tracts is consistent with the aggregate and is slightly below demographics. Eastern Bank ranked 16<sup>th</sup> out of 483 lenders that originated or purchased a home mortgage loan in the Multistate MSA assessment area in 2015, with 1.5 percent market share. The majority of banks ranked above Eastern Bank consist of mortgage companies and large national banks. Wells Fargo Bank, NA, was ranked 1<sup>st</sup> with 5.5 percent market share; JP Morgan Chase Bank, NA was ranked 2<sup>nd</sup> with 4.1 percent market share; and Ditech Financial LLC was ranked 3<sup>rd</sup>, with 3.9 percent market share.

Eastern Bank increased performance by number of home mortgage lending in moderate-income census tracts in 2016; however, bank lending compared with aggregate performance and demographic data remained unchanged. Market share rankings also remained unchanged, with Eastern Bank ranking 16<sup>th</sup> out of 482 lenders with 1.5 percent market share. Regionally headquartered lenders that ranked higher than Eastern Bank include Leader Bank, ranked 6<sup>th</sup> with 2.9 percent market share, and Salem Five Mortgage Company, LLC, ranked 12<sup>th</sup> with 1.7 percent market share. Wells Fargo Bank, NA; Guaranteed Rate Inc.; and Quicken Loans comprise the top three ranked home mortgage lenders in 2016 in this assessment area.

Geographic Distribution of Home Mortgage Loans						
Multistate MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	3.3	4.1	101	4.4	44,732	8.4
2016	3.3	4.1	101	4.0	46,974	6.9
Moderate						
2015	14.5	14.3	324	14.1	72,428	13.7
2016	14.5	14.3	353	14.1	99,656	14.6
Middle						
2015	48.5	47.2	1,105	48.2	246,151	46.5
2016	48.5	47.9	1,137	45.5	257,142	37.6
Upper						
2015	33.6	34.3	760	33.2	164,903	31.1
2016	33.6	33.8	906	36.3	279,714	40.9
Not Available						
2015	0.0	0.0	1	0.0	1,275	0.2
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>2,291</b>	<b>100.0</b>	<b>529,489</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>2,497</b>	<b>100.0</b>	<b>683,486</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## **Borrower Profile**

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes in the Multistate MSA assessment area. The bank's excellent performance of small business lending and good performance of home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to business with GARs of \$1 million or less and of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. The bank's performance exceeded aggregate performance by 7.9 percentage points. Market share rankings further support excellent performance. Eastern Bank ranked 6<sup>th</sup> of 129 lenders that reported a small business loan to a business with a GAR of \$1 million or less in the Multistate MSA in 2015. Eastern Bank held 3.6 percent market share by number and a 10.7 percent market share by dollar amount. American Express, FSB, the top ranked lender with 36.9 percent market share by number, was the only lender to earn a higher

market share by dollar amount than Eastern Bank, with 11.1 percent. Eastern Bank was the highest ranked regional lender.

The bank's 2016 performance for lending to businesses with GARs of \$1 million or less exceeded aggregate performance by 11.1 percentage points, slightly improving compared to 2015 performance because of a small decline in aggregate performance. Eastern Bank ranked 7<sup>th</sup> out of 117 lenders that reported a small business loan to a business with GARs of \$1 million or less in 2016. Eastern Bank held a 3.2 percent market share and was the highest ranked state institution. Only large national banks that primarily originate credit cards outperformed Eastern Bank. American Express, FSB ranked 1<sup>st</sup>, with a market share of 37.2 percent; Citibank, N.A. ranked 2<sup>nd</sup>, with a market share of 16.2 percent; and Bank of America, N.A. ranked 3<sup>rd</sup>, with a market share of 14.0 percent.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Multistate MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	76.0	47.8	1,645	55.7	124,833	29.9
2016	83.3	44.5	1,642	55.6	125,693	29.9
>\$1,000,000						
2015	6.2	--	800	27.1	238,188	57.1
2016	7.2	--	777	26.3	232,962	55.5
Revenue Not Available						
2015	17.8	--	510	17.3	53,974	12.9
2016	9.5	--	536	18.1	61,044	14.5
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>2,955</b>	<b>100.0</b>	<b>416,995</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>2,955</b>	<b>100.0</b>	<b>419,699</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

Eastern Bank's performance reflects good penetration among borrowers of different income levels. Examiners focused on the comparison to aggregate market performance, as well as market share information and the percentage of families by income level in the Multistate MSA assessment area.

In 2015, the bank's performance of lending to low-income borrower exceeded aggregate performance. Eastern Bank's performance was below demographic data; however, the assessment area's high median housing value partially explains the difference. A low-income family in this area earns, on average, less than \$46,817. Considering the assessment area median housing value of \$407,734, a low-income borrower would likely have difficulty qualifying for a

mortgage under conventional underwriting standards. Market share rankings also support the bank's good performance. Eastern Bank ranked 12<sup>th</sup> of 348 lenders that originated or purchased a home mortgage loan in the Multistate MSA assessment area in 2015. All lenders ranked above Eastern Bank are either mortgage companies or large national banks. Ditech Financial LLC; Wells Fargo Bank, NA; and Quicken Loans comprise the top three ranked home mortgage lenders in 2015.

Lending to low-income borrowers slightly declined in 2016, but remained above aggregate performance. Eastern Bank ranked 12<sup>th</sup> out of 351 lenders that originated or purchased a home mortgage loan to a low-income borrower in 2016 in the assessment area. Only mortgage companies and large national banks outperformed Eastern Bank in market share rankings. The top ranked lenders include Wells Fargo Bank, NA; Quicken Loans; and Ditech Financial LLC.

Eastern Bank exceeded aggregate performance and demographic data in lending to moderate-income borrowers in 2015. Market share rankings further demonstrate good performance. The bank ranked 13<sup>th</sup> out of 448 lenders that originated or purchased a home mortgage loan to a moderate-income borrower in the assessment area in 2015, with 1.8 percent market share. Wells Fargo Bank, NA, ranked 1<sup>st</sup>, with 5.6 percent market share; Quicken Loans ranked 2<sup>nd</sup>, with 4.2 percent market share; and Ditech Financial LLC ranked 3<sup>rd</sup>, with 3.6 percent market share.

In 2016, home mortgage lending to moderate-income borrowers declined, with performance falling behind the percentage of moderate-income families in the assessment area and slightly below aggregate performance. However, market share rankings indicate good performance. Eastern Bank ranked 15<sup>th</sup> out of 450 lenders that originated or purchased a home mortgage loan to a moderate-income borrower in the Multistate MSA assessment area in 2016. The top three ranked lenders consist of Wells Fargo Bank, NA; Quicken Loans; and loanDepot.com, LLC.



Distribution of Home Mortgage Loans by Borrower Income Level						
Multistate MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	22.7	4.7	122	5.3	9,980	1.9
2016	22.7	4.1	116	4.6	11,475	1.7
Moderate						
2015	16.8	15.7	425	18.6	58,359	11.0
2016	16.8	14.8	363	14.5	52,328	7.7
Middle						
2015	20.7	21.7	591	25.8	82,425	15.6
2016	20.7	23.1	605	24.2	89,206	13.1
Upper						
2015	39.8	38.5	953	41.6	186,635	35.2
2016	39.8	44.2	1,208	48.4	279,822	40.9
Not Available						
2015	0.0	19.4	200	8.7	192,090	36.3
2016	0.0	13.8	205	8.2	250,655	36.7
Totals						
2015	100.0	100.0	2,291	100.0	529,489	100.0
2016	100.0	100.0	2,497	100.0	683,486	100.0

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

### **Innovative and Flexible Lending**

The bank makes extensive use of innovative and flexible lending programs to assist in meeting the credit needs of this area. The programs offered in the Multistate MSA are the same as discussed in the overall evaluation, except for the one program specific to RI. Please refer to the Innovative and Flexible Lending section under the overall Lending Test for information.

### **Community Development Lending**

The bank is a leader in making community development loans in the Multistate MSA. This conclusion considers the community development loans that specifically benefit the Multistate MSA. Eastern Bank originated 105 community development loans totaling approximately \$217.7 million, representing 79.5 percent by number and 60.2 percent by dollar amount, of all community development loans made inside the assessment area during the evaluation period. This includes loans supporting affordable housing, community services, economic development, and revitalization efforts. The bank also originated 11 loans totaling \$43.9 million benefitting

the State of MA, 1 loan totaling \$1 million benefitting the State of NH, and 1 loan totaling \$15.0 million that benefited the broader regional area including the Multistate MSA assessment area.

The bank's level of community development lending in the Multistate MSA is particularly responsive to area's credit needs. Of the total community development loans, 21 totaling \$35.4 million benefited economic development and 38 loans totaling \$126.1 million benefited affordable housing. Community contacts identified both areas as needs. Additionally, the bank extended many loans in some of the lowest income areas of the assessment area. Please refer to the Community Development Lending section under the overall Lending Test for examples.

## **INVESTMENT TEST**

The bank's performance is rated Outstanding. The following sections address the bank's performance under each criterion.

### **Investment Activity**

The bank made an excellent level of qualified community development investments and grants in the Multistate MSA.

Qualified investments and grants, total \$216.5 million, or 83.7 percent of the bank's total community development investments, and directly benefit this assessment area. The current total includes prior period investments in the form of revenue bonds totaling approximately \$38.2 million that were primarily for affordable housing. New investments totaling \$166.0 million consisted of MDFA Revenue Bonds, MDFA tax-exempt bonds, and LIHTC investments. Investments primarily supported affordable housing and community development services. Qualified grants totaled \$12.3 million and supported affordable housing, community services, economic development, and revitalization and stabilization. Please refer to the Investment Activity section under the overall Investment Test for examples.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibited excellent responsiveness to credit and community development needs in this area.

Of the 2,498 investments totaling approximately \$216.5 million in this assessment area, \$144.5 million or 66.8 percent supported affordable housing. This activity level demonstrates the bank's responsiveness as affordable housing was determined to be a primary need. Considering the high housing cost and median home value at \$407,734, the demand for affordable housing remains high. Additionally, \$51.8 million, or 23.9 percent of all investments supported community services; \$18.7 million, or 8.6 percent supported revitalization or stabilization efforts, and \$1.6 million, or 0.7 percent, supported economic development.

The bank's excellent responsiveness to small business needs is evident through the previously discussed BEI program.

## **Innovativeness or Complexity of Qualified Investments**

Eastern Bank makes significant use of innovative and/or complex investments to support community development initiatives. As previously mentioned, the bank's investments in a number of LIHTC projects promote affordable housing.

The bank invested in two LIHTC investments to rehabilitate a 78-unit affordable housing complex in this assessment area. Of the units, eight are for families at or below 50.0 percent of the median family income and have section 8 vouchers. Further, 70 units are for families at or below 60.0 percent of the median family income.

The bank invested in a New Market Tax Credit and Renewable Energy Tax Credit totaling \$5.7 million for purposes of creating clean renewable energy in low-income communities. Solar installations are at five sites with affordable housing. The installations are in low-income communities and directly benefit residents through savings on utility costs.

## **SERVICE TEST**

The bank's performance is rated Outstanding. The following sections address the bank's performance under each criterion.

## **Accessibility of Delivery Systems**

The bank's delivery systems are readily accessible to essentially all portions of the assessment area. Eastern Bank operates 83, or 89.2 percent, of its branches throughout this area. Of these branches, 8 (9.6 percent) are in low-income census tracts; 19 (22.9 percent) are in moderate-income census tracts; 37 (44.6 percent) are in middle-income census tracts; 19 (22.9 percent) are in upper-income census tracts. As displayed in the following table, branch and ATM distribution exceeds the percentage of the population in low- and moderate-income geographies.

<b>Multistate MSA Branch and ATM Distribution by Census Tract Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	105	11.1	393,638	9.3	8	9.6	3	30.0
Moderate	186	19.7	822,393	19.5	19	22.9	4	40.0
Middle	378	40.0	1,808,704	42.8	37	44.6	2	20.0
Upper	261	27.6	1,193,509	28.3	19	22.9	1	10.0
NA	14	1.5	3,692	0.1	0	0.0	0	0.0
<b>Total</b>	<b>944</b>	<b>100.0</b>	<b>4,221,936</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; Bank Records</i>								

## **Changes in Branch Locations**

To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

Since the previous CRA evaluation, the bank opened four, relocated three, and closed eight branches in this area. Of these branches, the bank opened one branch in a low-income area of Lawrence and one branch in a moderate-income area of Revere, MA. In NH, the bank opened a branch in a moderate-income tract in Dover and a branch in a middle-income tract in Portsmouth. Of the eight branch closings, one was in a low-income area in Lowell, MA and the other was in a low-income area in Peabody, MA. The bank relocated its Salem, MA branch in a low-income area. The closings and relocation did not affect accessibility, as there are branches in close proximity to those closed.

### **Reasonableness of Business Hours and Services**

Services, including business hours do not vary in a way that inconveniences certain portions of the assessment area or any group of individuals.

The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. For details, please refer to the Reasonableness of Business Hours and Services section under the overall Service Test.

### **Community Development Services**

Eastern Bank is a leader in providing community development services. The majority of all community involvement activity occurred in the Multistate MSA. This is not unexpected as the substantial majority of branching, lending and deposit activity occurs in this assessment area. There were over 15,000 hours devoted to affordable housing, community development services and economic and workforce development throughout the area. Eastern Bank employees, management, and Directors serve on Boards and other committees of many organizations, providing technical support and financial expertise. The extent of involvement demonstrates the bank's responsiveness as a leader in the community. Refer to the Community Development Services section under the overall Service Test for highlights of activity within the Multistate MSA.

## MASSACHUSETTS

### CRA RATING FOR MASSACHUSETTS: Satisfactory

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Satisfactory

The Service Test is rated: Satisfactory

### SCOPE OF EVALUATION

The scope is similar to the overall scope discussed previously, except that this portion of the evaluation only considers assessment area activity in MA, excluding the Multistate MSA. Specifically, this section considers the bank's performance in the Barnstable Town, MA MSA and the Providence-Warwick, RI-MA MSA. Within the MA assessment areas, the Barnstable Town MSA assessment area represents 76.0 percent of the number of home mortgage and small business loans originated over the evaluation period, 82.0 percent of deposits, and 83.0 percent of the bank's offices. Therefore, the bank's performance in the Barnstable Town MSA carried the most weight in arriving at overall ratings and conclusions for the MA state rating. Please refer to the overall discussion for more information on products reviewed, timeframe, and weighting of products.

Only a small portion of the combined assessment area falls within MA outside of the Multistate MSA. Therefore, the bank's MA performance carries less weight than performance within the Multistate MSA when arriving at overall ratings and conclusions.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS

The bank maintains six branches in MA excluding those in the Multistate MSA. This represents approximately 6.5 percent of the bank's branches. Since the last evaluation, the bank relocated one branch and closed two branches in this area. The bank offers the same products and services in the MA assessment areas as discussed in the combined assessment area. The MA assessment area includes towns and cities in Barnstable and Bristol Counties. Please refer to the listing, *Combined Assessment Area Cities and Towns*, in the Description of Assessment Area section for further details on the towns and cities in these assessment areas.

The MA assessment areas contain 75 census tracts with the following income designation.

- 3 low-income tracts,
- 8 moderate-income tracts,
- 43 middle-income tracts, and
- 21 upper-income tracts.

The following table illustrates select demographic characteristics of the MA assessment areas.

Demographic Information of the Assessment Area Massachusetts Assessment Areas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	75	4.0	10.7	57.3	28.0	0.0
Population by Geography	349,687	3.4	8.0	55.5	33.0	0.0
Housing Units by Geography	171,950	3.7	10.6	60.2	25.5	0.0
Owner-Occupied Units by Geography	108,924	1.2	6.5	60.7	31.6	0.0
Occupied Rental Units by Geography	30,345	12.8	19.0	49.5	18.6	0.0
Vacant Units by Geography	32,681	3.3	16.5	68.6	11.6	0.0
Businesses by Geography	25,570	8.7	6.3	56.1	28.9	0.0
Farms by Geography	885	2.4	3.3	59.3	35.0	0.0
Family Distribution by Income Level	95,003	16.9	15.9	21.9	45.4	0.0
Household Distribution by Income Level	139,269	20.1	14.8	17.9	47.2	0.0
Median Family Income MSA - 12700 Barnstable Town, MA MSA		\$75,056	Median Housing Value Median Gross Rent Families Below Poverty Level			\$366,081 \$1,015 4.8%
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$70,496				
Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2016 D&B data, there were 25,570 businesses in the assessment area. GARs for these businesses are below.

- 84.7 percent have \$1 million or less.
- 5.6 percent have more than \$1 million.
- 9.7 percent have unknown revenues.

Business demographics indicate that the majority of businesses in the MA assessment areas are small businesses with four or fewer employees. Specifically, 73.8 percent of businesses employ 4 or fewer employees and 89.0 percent operate from a single location. Service industries represent the largest portion of businesses at 46.3 percent; followed by retail trade at 13.9 percent; construction at 11.4 percent; and finance, insurance, and real estate at 8.0 percent.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are 171,950 housing units in the MA assessment areas. Of the owner-occupied housing units, 1.2 percent is in low-income census tracts and 6.5 percent are in moderate-income census tracts. According to September 2016 Moody's data, the Barnstable Town, MA MSA housing market is heavily comprised of second homes and vacation homes. The Providence-Warwick, RI-MA labor force is increasing and the rising average weekly earnings is helping multi-family building. However, Moody's indicates that due to the low housing affordability and households forming more slowly, there are limits to how much construction can increase.

The Barnstable Town, MA MSA and the Providence-Warwick, RI-MA MSA are relatively economically similar. Data obtained from Moody's indicate that the unemployment rates in each MSA fell over the evaluation period. The unemployment rates for Barnstable Town, MA MSA generally lower than the national average, but higher than the State of MA. The unemployment rates in Providence-Warwick generally exceeded both the national and State of MA rates.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MASSACHUSETTS**

### **LENDING TEST**

The bank's Lending Test performance is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect good responsiveness to assessment area credit needs. In 2015 and 2016, Eastern Bank originated 502 small business loans totaling approximately \$47.9 million, and 439 home mortgage loans totaling approximately \$54.5 million in the State of MA assessment areas.

In 2015, the bank ranked 14<sup>th</sup> out of 88 lenders that originated or purchased a small business loan in Barnstable or Bristol Counties. Eastern Bank earned 2.0 percent market share and was the second highest ranked MA-chartered lender, outperformed by Rockland Trust Company, ranked 9<sup>th</sup> with 3.3 percent market share. The majority of the highest ranked lenders are credit card companies. The top 3 lenders consist of American Express, FSB, with 19.5 percent market share; Capital One Bank (USA), N.A., with 10.2 percent market share; and Bank of America, N.A., with 9.7 percent market share.

The bank ranked 15<sup>th</sup> out of 99 lenders that reported a small business loan in Barnstable or Bristol Counties in 2016. Eastern Bank held a market share of 1.6 percent. Rockland Trust Company, ranked 11<sup>th</sup> with a 2.8 percent market share, was the only state-chartered institution to rank above Eastern Bank. Other reporters ranked above Eastern consist primarily of large credit card lenders, including the top three ranked institutions, American Express, FSB; Citibank, N.A.; and Bank of America, N.A. The top three lenders earned a combined 40.2 percent market share.

Eastern Bank ranked 15<sup>th</sup> out of 419 lenders that originated or purchased a home mortgage loan in the state of MA assessment areas in 2015. Eastern Bank was the third-highest ranked state-chartered institution, with 1.5 percent market share. The two state-charted banks that outranked Eastern Bank, The Cape Cod Five Cents Savings Bank (1<sup>st</sup>) and Cape Cod Co-operative Bank (7<sup>th</sup>), are headquartered in Barnstable County. Other top lenders include large national banks and mortgage companies. Wells Fargo Bank, NA ranked 2<sup>nd</sup>, with a 4.6 percent market share, and Quicken Loan ranked 3<sup>rd</sup>, with a 3.7 percent market share.

In 2016, Eastern Bank ranked 14<sup>th</sup> out of 425 lenders that originated or purchased a home mortgage loan in the State of MA assessment areas. The Cape Cod Five Cents Savings Bank remained the top-ranked lender. Cape Cod Co-Operative Bank, ranked 9<sup>th</sup>, and Rockland Trust Company, ranked

13<sup>th</sup>, also slightly outperformed Eastern Bank. The remaining top-ranked lenders consist of large national banks and mortgage companies.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment area. The bank's good performance of small business and home mortgage lending primarily support this conclusion.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects good penetration throughout the assessment area. In 2015, lending in low-income census tracts exceeded aggregate performance. Eastern Bank ranked 15<sup>th</sup> of 44 lenders that originated or purchased a small business loan in a low-income census tract in Barnstable or Bristol Counties in 2015. The majority of lenders that outperformed Eastern Bank are large national credit card lenders; however, three state-chartered institutions earned higher market share rankings. BayCoast Bank ranked 10<sup>th</sup> and Bristol County Savings Bank ranked 12<sup>th</sup>, both of which are headquartered in Bristol County, and Rockland Trust Company ranked 11<sup>th</sup> in lending within low-income census tracts.

In 2016, lending in low-income census tracts slightly increased, exceeding both aggregate performance and the percentage of businesses in low-income census tracts. Eastern Bank ranked 17<sup>th</sup> out of 62 lenders that reported a small business loan in a low-income census tract in Barnstable or Bristol Counties in 2016. The bank captured a market share of 1.5 percent. Two state-chartered institutions ranked above Eastern Bank; Rockland Trust Company ranked 11<sup>th</sup>, with a 2.5 percent market share, and Bristol County Savings Bank ranked 16<sup>th</sup>, with a 1.6 percent market share. The top ranked lenders consist of large national banks and credit card lenders. American Express, FSB ranked 1<sup>st</sup> with a market share of 17.2 percent.

Small business lending in moderate-income census tracts is slightly below aggregate performance in 2015. Eastern Bank ranked 16<sup>th</sup> out of 48 lenders that originated or purchased a small business loan in a moderate-income census tract in Barnstable or Bristol Counties in 2015. The majority of lenders ranked above Eastern Bank are credit card companies. Rockland Trust Company, ranked 11<sup>th</sup>; Bristol County Savings Bank, ranked 12<sup>th</sup>, and BayCoast Bank, ranked 14<sup>th</sup>, continued to outperform Eastern Bank. The Cape Cod Five Cents Savings Bank also performed better than Eastern Bank within Barnstable and Bristol Counties, ranking 13<sup>th</sup>.

Small business lending performance in moderate-income census tracts declined in 2016, falling below aggregate performance and demographics. Eastern Bank ranked 23<sup>rd</sup> out of 55 lenders that reported a small business loan in a moderate-income census tract in Barnstable or Bristol Counties in 2016. The top lenders consist primarily of large credit card lenders. State-chartered institutions that ranked above Eastern Bank include Rockland Trust Company, ranked 12<sup>th</sup>; Bristol County Savings Bank, ranked 13<sup>th</sup>; BayCoast Bank, ranked 16<sup>th</sup>; and The Cape Cod Five Cents Savings Bank, ranked 19<sup>th</sup>.



Geographic Distribution of Small Business Loans Massachusetts Assessment Areas						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	8.5	6.5	20	7.5	2,170	8.2
2016	8.7	7.3	22	9.4	1,270	5.9
Moderate						
2015	6.2	6.9	16	6.0	1,308	4.9
2016	6.3	6.2	9	3.8	1,361	6.4
Middle						
2015	56.3	57.4	163	60.8	15,840	59.7
2016	56.1	57.4	160	68.4	15,398	71.9
Upper						
2015	29.0	29.2	69	25.7	7,209	27.2
2016	28.9	29.1	43	18.4	3,393	15.8
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>268</b>	<b>100.0</b>	<b>26,527</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>21,422</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. Examiners focused on the comparison to aggregate data.

In 2015, lending in low-income census tracts slightly exceeded aggregate performance and demographic data. Eastern Bank ranked 16<sup>th</sup> of 93 lenders that originated or purchased a home mortgage loan in a low-income census tract in the assessment area in 2015. Eastern Bank held 1.8 percent market share. Wells Fargo ranked 1<sup>st</sup> with 15 loans and 6.8 percent market share, followed by Residential Mortgage Services with 11 loans and 5.0 percent market share.

In 2016, lending fell slightly below aggregate performance and demographic data in low-income census tracts. The bank ranked 38<sup>th</sup> out of 77 lenders that originated or purchased a home mortgage loan in a low-income census tract in 2016. Only the top eight ranked lenders originated more than five loans. Residential Mortgage Services ranked 1<sup>st</sup>, followed by PennyMac Loan Services LLC, and Wells Fargo Bank, NA.

Eastern Bank's 2015 performance in lending among moderate-income census tracts exceeded both aggregate performance and demographic data. The bank ranked 15<sup>th</sup> out of 183 lenders that originated or purchased a home mortgage loan in a moderate-income census tract in 2015. State-charted institutions that ranked above Eastern Bank include The Cape Cod Five Cents Savings Bank, ranked 1<sup>st</sup>; Cape Cod Co-operative Bank, ranked 3<sup>rd</sup>; and Rockland Trust Company, ranked 14<sup>th</sup>. Other top-ranked lenders include large national banks and mortgage companies.

In 2016, lending in moderate-income census tracts improved. Lending exceeded aggregate performance by approximately 5.0 percentage points and area demographics by 5.5 percentage points, respectively. Furthermore, Eastern Bank ranked 8<sup>th</sup> out of 177 lenders that originated or purchased a home mortgage loan in the assessment area in 2016. Eastern Bank earned a 2.5 percent market share. The Cape Cod Five Cents Savings Bank; Wells Fargo Bank, N.A.; and Residential Mortgage Services were the top three ranked lenders, each capturing a 5.3 percent market share.

Geographic Distribution of Home Mortgage Loans Massachusetts Assessment Areas						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	1.2	1.6	4	2.0	35	0.2
2016	1.2	1.3	2	0.9	487	1.6
Moderate						
2015	6.5	7.0	17	8.3	656	2.8
2016	6.5	7.1	28	12.0	2,424	7.8
Middle						
2015	60.7	58.6	126	61.5	10,523	45.0
2016	60.7	59.1	150	64.1	17,644	56.7
Upper						
2015	31.6	32.7	58	28.3	12,162	52.0
2016	31.6	32.5	54	23.1	10,557	33.9
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>205</b>	<b>100.0</b>	<b>23,376</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>31,112</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## **Borrower Profile**

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes in the State of MA assessment areas. The bank's excellent performance of small business lending and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to business with GARs of \$1 million or less and of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. Although the bank's lending to small businesses fell below the demographics, examiners emphasized performance compared to aggregate data. It is also important to note that demographic data represents the percent of all businesses in the MA assessment area, not just those that are seeking a loan.

In 2015, the bank originated 66.4 percent of small business loans in Barnstable and Bristol Counties to businesses with GARs of \$1 million or less, significantly exceeding the aggregate performance of 49.5 percent. Market share reports further support the bank's excellent performance. The bank ranked 9<sup>th</sup> out of 56 lenders that originated a small business loan to a business with GARs of \$1 million or less in Barnstable and Bristol Counties in 2015. Rockland Trust Company, ranked 7<sup>th</sup>, was the only state-chartered institution to rank above Eastern Bank. The majority of banks that outperformed Eastern Bank are primarily credit card lenders, including American Express, FSB, ranked 1<sup>st</sup>; Citibank, N.A., ranked 2<sup>nd</sup>; and Capital One Bank (USA), N.A., ranked 3<sup>rd</sup>.

In 2016, lending to businesses with GARs of \$1 million or less slightly declined by number, but remained well above aggregate performance. Eastern Bank ranked 9<sup>th</sup> out of 54 lenders that reported a small business loan to business with GARs of \$1 million or less in Barnstable or Bristol Counties in 2016. The majority of banks ranked higher than Eastern Bank are large national credit card banks, such as American Express, FSB; Citibank, N.A.; and Bank of America, N.A.

Distribution of Small Business Loans by Gross Annual Revenue Category Massachusetts Assessment Areas						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	79.1	49.5	178	66.4	10,366	39.1
2016	84.6	45.2	146	62.4	9,299	43.4
>\$1,000,000						
2015	4.8	--	43	16.0	10,871	41.0
2016	5.6	--	44	18.8	8,845	41.3
Revenue Not Available						
2015	16.1	--	47	17.5	5,290	19.9
2016	9.7	--	44	18.8	3,278	15.3
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>268</b>	<b>100.0</b>	<b>26,527</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>21,422</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The bank's home mortgage lending reflects excellent penetration among borrowers of different income levels. Examiners focused on the comparison to aggregate lending performance, as well as market share rankings and demographic information.

In 2015, lending to low-income borrowers was slightly below aggregate performance and well below the percentage of low-income families. However, a low-income family in the State of MA assessment areas earns on average less than \$38,675, making such a borrower unlikely to qualify for a mortgage under conventional underwriting standards, considering the median housing value of \$366,081. Eastern Bank ranked 20<sup>th</sup> out of 120 lenders that reported a home mortgage loan to a low-income borrower in the State of MA assessment areas in 2015. The majority of lenders that ranked above Eastern Bank are mortgage companies and large national banks, such as Wells Fargo Bank, N.A., ranked 2<sup>nd</sup>, and Residential Mortgage Services, ranked 3<sup>rd</sup>. Locally headquartered competitors that outperformed Eastern Bank include The Cape Cod Five Cents Savings Bank, ranked 1<sup>st</sup>; Cape Cod Co-operative Bank, ranked 6<sup>th</sup>; Rockland Trust Company, ranked 12<sup>th</sup>, and BayCoast Bank, ranked 15<sup>th</sup>.

In 2016, lending to low-income borrowers improved in 2016, rising above aggregate performance, but remaining below percentage of low-income families in the assessment area. As discussed, low-income families in the assessment area would likely have difficulty qualifying for traditional home mortgages. Eastern Bank increased its ranking to 8<sup>th</sup> out of 124 lenders that originated or purchased a home mortgage loan to a low-income borrower in the State of MA assessment areas. The Cape Cod Five Cents Savings Bank remained the top ranked lender.

Quicken Loans ranked 2<sup>nd</sup> and Residential Mortgage Services ranked 3<sup>rd</sup> for lending to low-income borrowers in 2016.

In 2015, lending to moderate-income borrowers exceeded both aggregate performance and demographics. The bank ranked 14<sup>th</sup> out of 201 lenders that originated a home mortgage loan to a moderate-income borrower in the State of MA assessment areas in 2015. Top ranked lenders include large national banks and mortgage companies. Top performing state-chartered institutions include The Cape Cod Five Cents Savings Bank, ranked 1<sup>st</sup>; Cape Cod Co-operative Bank, ranked 5<sup>th</sup>; and Rockland Trust Company, ranked 12<sup>th</sup>.

In 2016, lending to moderate-income borrowers slightly declined, but remained above aggregate performance and demographic data. Eastern Bank ranked 12<sup>th</sup> out of 193 lenders that originated or purchased a home mortgage loan to a moderate-income borrower in the assessment area, with 1.9 percent market share. The Cape Cod Five Cents Savings Bank ranked 1<sup>st</sup>, with 6.7 percent market share; followed by Residential Mortgage Services, with 5.3 percent market share; and Quicken Loans, with 5.0 percent market share.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Massachusetts Assessment Areas</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2015	16.9	3.7	7	3.4	406	1.7
2016	16.9	2.8	14	6.0	1,189	3.8
Moderate						
2015	15.9	14.8	42	20.5	3,524	15.1
2016	15.9	12.9	40	17.1	3,654	11.7
Middle						
2015	21.9	21.0	36	17.6	3,026	12.9
2016	21.9	22.0	54	23.1	4,963	16.0
Upper						
2015	45.4	42.6	96	46.8	11,039	47.2
2016	45.4	48.6	104	44.4	15,428	49.6
Not Available						
2015	0.0	17.9	24	11.7	5,381	23.0
2016	0.0	13.6	22	9.4	5,878	18.9
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>205</b>	<b>100.0</b>	<b>23,376</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>31,112</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 &amp; 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Innovative and Flexible Lending**

The bank makes extensive use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The programs offered in the MA assessment areas are the same as discussed in the overall evaluation, except for the one program specific to RI. Please refer to the Innovative and Flexible Lending section under the overall Lending Test for examples.

### **Community Development Lending**

The bank made an adequate level of community development loans in the MA assessment areas. This conclusion considered the community development loans that specifically benefit the Barnstable Town, MA and the Providence-Warwick, RI-MA MSAs. Eastern Bank originated three community development loans totaling approximately \$2.5 million in these areas. In addition, the bank originated 11 loans totaling \$43.9 million benefitting the entire State of MA and one loan totaling \$15.0 million that benefited the broader regional area including the MA assessment areas. Please refer to the Community Development Lending section under the overall Lending Test for examples.

## **INVESTMENT TEST**

The bank's Investment Test is rated Satisfactory. The following sections discuss the bank's performance under each criterion.

### **Investment Activity**

The bank made an adequate level of qualified community development investments and grants in MA, particularly those that are provided by private investors, although rarely in a leadership position.

Qualified investments totaled approximately \$3.6 million or 1.4 percent of the bank's total qualified community development investments. Investment activity considers Barnstable Town MSA activity, which had \$357,031 in grants and the Providence-Warwick, MSA activity that represented \$3.2 million in investment and grants. In addition, the bank maintains a prior period Mass Development Bond totaling approximately \$2.0 million to a non-profit organization that provides training and employment services to individuals requiring assistance. This investment has a statewide regional benefit. Please refer to the Investment Activity section under the overall Investment Test for examples.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits adequate responsiveness to credit and community development needs in MA. The level of investments is adequate considering branching and lending and deposit activity represents a small portion within the MA assessment area.

The bank invested in a MDFA Multi-Family Revenue Bond totaling approximately \$3.1 million. The investment renovated a 24-unit affordable housing residence in Taunton. All units are

affordable to households earning less than 60.0 percent of the area median family income with three units further restricted to households earning less than 30.0 percent of the median family income. This investment is particularly responsive as the community contact identified affordable housing as a primary need.

In addition, the bank made grants totaling \$181,507 and \$357,031 in the Barnstable Town MSA and Providence-Warwick MSAs, respectively. These qualified investments support affordable housing, community development services, and economic development. Please refer to the Responsiveness to Credit and Community Development Needs section under the overall Investment Test for further details.

### **Innovativeness or Complexity of Qualified Investments**

Eastern Bank occasionally uses innovative and/or complex investments to support qualified investments. Please refer to the Innovativeness or Complexity of Qualified Investments factor under the overall Investment Test section for further details.

### **SERVICE TEST**

The bank's Service Test is rated Satisfactory. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the institutions MA assessment area. The bank operates 6, or 6.5 percent of all branches, in the MA assessment areas. Of the six branches, five are in the Barnstable Town MSA and one is in the Providence-Warwick MSA. There is one low-income branch in Hyannis. The remaining branches are in middle- and upper-income areas. As the following table demonstrates, the bank's one low-income branch represents 16.7 percent of all branches. Whereas, the percentage of census tracts and population in this tract is significantly lower at 4.0 percent and 3.4 percent, respectively. The bank does not have any branches or ATMs in moderate-income tracts.

<b>Massachusetts Assessment Areas Branch and ATM Distribution by Census Tract Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	3	4.0	12,029	3.4	1	16.7	0	0.0
Moderate	8	10.7	28,137	8.0	0	0.0	0	0.0
Middle	43	57.3	193,986	55.5	4	66.7	2	50.0
Upper	21	28.0	115,535	33.0	1	16.7	2	50.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>75</b>	<b>100.0</b>	<b>349,687</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; Bank Records</i>								

### **Changes in Branch Locations**

To the extent changes have been made, the bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous CRA evaluation, the bank did not open any branches in the Barnstable Town or Providence-Warwick, MSAs. The bank closed a branch in South Sandwich and Teaticket, both in middle-income areas, due to their proximity to existing nearby Eastern Bank branches. There was also one branch relocation in Falmouth in a middle-income area.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and/or individuals. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment areas. For details, please refer to the Reasonableness of Business Hours and Services section under the overall Service Test section.

### **Community Development Services**

The bank provides an adequate level of community development services. In the MA assessment areas, the bank provided 565 service hours during the evaluation period. Involvement is reasonable for this portion of the assessment area considering branching and lending and deposit activity is less than other portions of the assessment area. Refer to the Community Development Services section under the overall Service Test for highlights of activity within the MA assessment areas.



## METROPOLITAN AREAS - BARNSTABLE TOWN MSA

(Full-Scope Review)

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN BARNSTABLE TOWN, MA MSA

#### Economic and Demographic Information

The bank operates 4, or 4.3 percent, of its 93 full-service branches in this area. This area is composed of the following six towns in Barnstable County: Barnstable Town, Mashpee, Bourne, Sandwich, Falmouth, and Yarmouth. The following table summarizes pertinent demographic information concerning this assessment area.

Demographic Information of the Assessment Area Barnstable Town MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	37	2.7	13.5	73.0	10.8	0.0
Population by Geography	154,952	2.0	9.8	74.7	13.6	0.0
Housing Units by Geography	96,456	2.1	12.9	73.9	11.2	0.0
Owner-Occupied Units by Geography	54,890	0.4	7.9	78.7	13.0	0.0
Occupied Rental Units by Geography	13,200	10.2	25.5	57.9	6.5	0.0
Vacant Units by Geography	28,366	1.5	16.7	72.0	9.8	0.0
Businesses by Geography	13,655	11.3	8.7	66.8	13.2	0.0
Farms by Geography	480	2.9	4.8	78.5	13.8	0.0
Family Distribution by Income Level	43,895	18.1	17.7	24.7	39.5	0.0
Household Distribution by Income Level	68,090	21.7	17.3	19.3	41.7	0.0
Median Family Income MSA - 12700 Barnstable Town, MA MSA		\$75,056	Median Housing Value Median Gross Rent Families Below Poverty Level			\$394,887 \$1,129 4.9%
Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

According to Moody's Analytics as of September 2016, Barnstable Town's economy has improved dramatically from 2015. The healthcare and professional service industries are responsible for approximately half of the job gains in 2016. The jobless rate fell in 2016, but slightly exceeded the national and regional averages. Barnstable Town benefits significantly from tourism and employment in retail and leisure and hospitality. Employment in these industries is twice the national average and three times the Northeast average. The area has a large retiree population and benefits from its popularity as a tourist destination and close proximity to Greater Boston. Approximately, a third of the population is 65 and older.

Unemployment rates declined over the evaluation period, according to Moody's Analytics. The unemployment rates were generally lower than the nationwide average, but usually higher than the State of MA. As of 2016, the top industries were leisure and hospitality, education and

health services, and retail trade. The top employers were Cape Cod Healthcare, Woods Hole Oceanographic Institution, Hawthorne Motel, and the Air National Guard.

The area's residential housing market is comprised of a significant number of second homes and vacation homes. According to Moody's Analytics, homeowner vacancy rates are below the national average and there has been a slight increase in single-family construction as the housing supply decreases.

The 2015 and 2016 FFIEC median family income estimates for the Barnstable Town MSA determine borrower income levels. The following table depicts these levels.

<b>Median Family Income Ranges Barnstable Town MSA</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Barnstable Town, MA MSA Median Family Income (12700)</b>				
2015 (\$80,300)	<\$40,150	\$40,150 to <\$64,240	\$64,240 to <\$96,360	≥\$96,360
2016 (\$77,100)	<\$38,550	\$38,550 to <\$61,680	\$61,680 to <\$92,520	≥\$92,520
<i>Source: FFIEC</i>				

## **Competition**

In addition to the demographic composition and economic environment of the area, competition from other financial intermediaries is also a significant performance context factor. As of June 30, 2017, 9 FDIC-insured institutions operating 70 offices were located within the area. The bank ranked 8<sup>th</sup> in total deposits with a 5.9 percent market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BARNSTABLE TOWN, MA MSA**

### **LENDING TEST**

#### **Lending Activity**

Lending levels reflect good responsiveness to the credit needs of this assessment area. In 2015 and 2016, Eastern Bank originated 340 small business loans totaling approximately \$26.6 million, and 371 home mortgage loans totaling approximately \$35.1 million in the Barnstable Town, MA MSA assessment area.

Eastern Bank ranked 11<sup>th</sup> out of 58 lenders that originated or purchased a small business loan in the Barnstable Town, MA MSA in 2015. The bank earned 3.2 percent market share. The majority of banks ranked higher than Eastern Bank consist of large credit card lenders. Regional competitors ranked above Eastern Bank include Rockland Trust Company, ranked 8<sup>th</sup> with 3.7 percent market share, and The Cape Cod Five Cents Savings Bank, ranked 9<sup>th</sup> with 3.4 percent market share.

In 2016, the bank ranked 11<sup>th</sup> out of 79 lenders that reported a small business loan in Barnstable County. Eastern Bank held a 2.6 percent market share. Two regional competitors ranked higher

than Eastern Bank; Rockland Trust Company ranked 8<sup>th</sup>, with a 3.5 percent market share, and The Cape Cod Five Cents Savings Bank ranked 9<sup>th</sup>, with a 2.9 percent market share. The top three lenders are large national banks, including American Express, FSB; Citibank, N.A.; and Capital One Bank (USA), N.A.

Eastern Bank ranked 7<sup>th</sup> out of 357 lenders that originated or purchased a home mortgage loan in the Barnstable Town, MA MSA assessment area in 2015. The top two ranked lenders, The Cape Cod Five Cents Savings Bank and Cape Cod Co-operative Bank, are headquartered in the Barnstable Town, MA MSA. The other lenders that ranked higher than Eastern Bank consist of two large national banks and two home mortgage companies.

In 2016, Eastern Bank ranked 8<sup>th</sup> out of 366 lenders that reported a home mortgage loan in the Barnstable Town, MA MSA assessment area. The Cape Cod Five Cents Savings Bank and Cape Cod Co-operative Bank remained the top two lenders in the assessment area, followed by Wells Fargo Bank, NA, and Quicken Loans.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the Barnstable Town, MA MSA assessment area. The bank's good performance of small business lending and good home mortgage lending supports this conclusion. Examiners focused on the percentage of loans, by number, originated in low- and moderate-income census tracts.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects good penetration throughout the assessment area. Small business lending in low-income census tracts in 2015 was in-line with aggregate performance and slightly behind demographics. Eastern Bank ranked 6<sup>th</sup> out of 32 lenders that originated or purchased small business loans in low-income census tracts in the Barnstable Town, MA MSA in 2015. Eastern Bank was the highest ranked state-chartered institution. Lenders ranked above Eastern Bank consisted of primarily credit card lenders, including top ranked American Express, FSB.

Eastern Bank's 2016 performance in small business lending within low-income census declined, falling slightly below aggregate performance. The bank ranked 9<sup>th</sup> out of 40 lenders that reported a small business loan in a low-income census tract in Barnstable County in 2016. Eastern Bank held a market share of 3.0 percent. The only state-chartered institutions to rank above Eastern Bank are The Cape Cod Five Cents Savings Bank, ranked 5<sup>th</sup> with 4.9 percent market share, and Rockland Trust Company, ranked 8<sup>th</sup> with 3.4 percent market share. Other top performers include credit card lenders such as American Express, FSB; Citibank, N.A.; and Capital One Bank (USA), N.A.

In 2015, the bank performed slightly below the aggregate in lending in moderate-income census tracts in the Barnstable Town, MA MSA. Eastern Bank's performance was in-line with demographics. The bank ranked 9<sup>th</sup> out of 37 lenders that originated a small business loan in a moderate-income census tract in the Barnstable County in 2015. The majority of lenders ranked above Eastern Bank consist of credit card lenders, such as the top two ranked lenders; American

Express, FSB and Capital One Bank (USA), N.A. The only state-chartered institution to outperform Eastern Bank is The Cape Cod Five Cents Savings Bank, ranked 8<sup>th</sup>.

Small business lending in moderate-income census tracts in Barnstable County in 2016 decreased, trailing further behind aggregate performance. Eastern Bank ranked 14<sup>th</sup> out of 38 lenders that reported small business loans in moderate-income census tracts in Barnstable County in 2016. Lenders ranked higher than Eastern Bank include primarily large national lenders, such as American Express, FSB and Citibank, N.A., as well as state institutions, such as The Cape Cod Five Cents Savings Bank and Rockland Trust Company.

Of the 367,789 businesses in the combined assessment area, only 3.7 percent are in the Barnstable Town MSA. It is also important to note that aggregate data for small business represents the full county while Eastern Bank only operates in six towns of the full county. Considering these factors, the bank's lending reflects good penetration.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Barnstable Town MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2015	11.1	9.0	16	9.0	2,010	14.4
2016	11.3	10.3	14	8.6	743	5.9
Moderate						
2015	8.3	9.9	15	8.4	1,258	9.0
2016	8.7	8.9	7	4.3	1,261	10.0
Middle						
2015	67.3	66.8	113	63.5	8,671	62.3
2016	66.8	67.9	114	70.4	9,140	72.3
Upper						
2015	13.3	14.3	34	19.1	1,982	14.2
2016	13.2	12.9	27	16.7	1,492	11.8
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>178</b>	<b>100.0</b>	<b>13,921</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>	<b>12,636</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects good penetration throughout the Barnstable Town, MA MSA assessment area. Examiners focused on the comparison to aggregate data.

In 2015, lending in low-income census tracts exceeded aggregate performance and demographic data. Eastern Bank ranked 5<sup>th</sup> out of 38 lenders that originated a home mortgage loan in the Barnstable Town, MA MSA assessment area in 2015. Eastern Bank earned a 5.3 percent market share. Cape Cod Co-Operative Bank ranked 1<sup>st</sup>, originating 7 loans for 12.3 percent market share; followed by Bank of Cape Cod, ranked 2<sup>nd</sup> with 3 loans and a 5.3 percent market share; and Wells Fargo Bank, NA, ranked 3<sup>rd</sup> with 3 loans and a 5.3 percent market share. In 2016, the bank did not originate any home mortgage loans in low-income census tracts in the Barnstable Town, MA MSA assessment area. Opportunities for low-income census tract home mortgage lending are limited in this assessment area, as only 0.4 percent of owner-occupied housing units are located in low-income census tracts. Additionally, market share reports further indicate limited opportunities and demand for lending. Of the lenders, 32 originated or purchased 50 home mortgage loans in low-income census tracts in the assessment area in 2015. The top two lenders, The Cape Cod Five Cents Savings Bank and Cape Cod Co-operative Bank, are headquartered in Barnstable County and originated five and four loans, respectively. A majority of the lenders only originated or purchased a single loan.

In the moderate-income census tracts, lending exceeded aggregate performance and demographics in 2015. Eastern Bank ranked 7<sup>th</sup> out of 142 lenders that originated or purchased a home mortgage loan in a moderate-income census tract in the Barnstable Town, MA MSA assessment area. Only two state-chartered institutions ranked above Eastern Bank; The Cape Cod Five Cents Savings Bank, ranked 1<sup>st</sup>, and Cape Cod Co-operative Bank, ranked 2<sup>nd</sup>. Other lenders ranked above Eastern Bank include only large national banks and mortgage loan companies.

In 2016, Eastern Bank improved home mortgage lending performance in moderate-income census tracts in the assessment area. The bank increased the percentage by which it exceeds aggregate performance and demographic data. Market share reports further support good performance. Eastern Bank ranked 4<sup>th</sup> out of 140 lenders that reported a home mortgage loan in a moderate-income census tract in the Barnstable Town, MA MSA assessment area in 2016. Eastern Bank captured a 3.9 percent market share. The Cape Cod Five Cents Savings Bank ranked 1<sup>st</sup>, with 8.8 percent market share; Wells Fargo Bank, NA ranked 2<sup>nd</sup>, with 4.0 percent market share; and Quicken Loans ranked 3<sup>rd</sup>, with 3.9 percent market share.

Geographic Distribution of Home Mortgage Loans						
Barnstable Town MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	0.4	0.8	3	1.7	21	0.1
2016	0.4	0.6	0	0.0	0	0.0
Moderate						
2015	7.9	8.9	17	9.5	656	4.3
2016	7.9	8.7	26	13.5	2,127	10.7
Middle						
2015	78.7	76.1	118	65.9	8,603	56.4
2016	78.7	77.0	131	68.2	14,736	74.3
Upper						
2015	13.0	14.1	41	22.9	5,968	39.1
2016	13.0	13.7	35	18.2	2,962	14.9
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
Totals						
2015	100.0	100.0	179	100.0	15,248	100.0
2016	100.0	100.0	192	100.0	19,825	100.0

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

## **Borrower Profile**

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes in the Barnstable Town, MA MSA assessment area. The bank's excellent performance of small business lending and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to business with GARs of \$1 million or less and of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration to businesses of different sizes, particularly those with GARs of \$1 million or less. Examiners focused on the comparison to aggregate market performance, market share information, and demographic data.

In 2015, lending to businesses with GARs of \$1 million or less greatly exceeded aggregate performance. Although lending fell below demographic data, market share rankings further indicate excellent performance. Eastern Bank ranked 6<sup>th</sup> out of 36 lenders that originated or

purchased small business loans to businesses with GARs of \$1 million or less in Barnstable County in 2015. Eastern Bank held 4.3 percent market share and was the highest ranked state-chartered institution. Credit card lenders American Express, FSB; Citibank, N.A.; and Capital One Bank (USA), N.A. comprised the top three lenders.

In 2016, lending to businesses with GARs of \$1 million or less declined by number and percentage. However, due to a decline in aggregate performance, Eastern Bank continued to exceed aggregate performance by approximately 15.0 percentage points. The bank held a 3.5 percent market share, ranking 8<sup>th</sup> out of 39 lenders that reported a small business loan to businesses with GARs of \$1 million or less in Barnstable County in 2016. Eastern Bank was the second highest ranked state-chartered institution, outperformed only by Rockland Trust Company, ranked 6<sup>th</sup> with a 3.9 percent market share. Other reporters ranked above Eastern Bank consist of large national lenders.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Barnstable Town MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	79.6	51.3	119	66.9	6,487	46.6
2016	85.4	46.4	99	61.1	6,162	48.8
>\$1,000,000						
2015	4.3	--	23	12.9	4,538	32.6
2016	5.1	--	30	18.5	4,414	34.9
Revenue Not Available						
2015	16.1	--	36	20.2	2,896	20.8
2016	9.5	--	33	20.4	2,060	16.3
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>178</b>	<b>100.0</b>	<b>13,921</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>	<b>12,636</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects excellent penetration. Examiners focused on the comparison to aggregate data.

In 2015, lending to low-income borrowers fell below aggregate performance and below demographic data. Although there is a large disparity between the percentage of low-income families in the assessment area and lending to these individuals, this difference can be partially mitigated. A low-income family in the Barnstable Town, MA MSA earns less than \$40,150, making it difficult to qualify for a mortgage under conventional underwriting standards,

especially considering the median housing value of \$394,887. Eastern Bank ranked 14<sup>th</sup> out of 82 lenders that originated a home mortgage loan to a low-income borrower in the Barnstable Town, MA MSA assessment area in 2015. State-chartered institutions that outperformed Eastern Bank include the top two ranked lenders, The Cape Cod Five Cents Savings Bank and Cape Cod Co-operative Bank; and Rockland Trust Company, ranked 12<sup>th</sup>. Other lenders that ranked above Eastern Bank include primarily large national banks and mortgage companies.

In 2016, the bank improved performance in lending to low-income borrowers in the assessment area, almost doubling aggregate performance by percentage points. Market share reports also support improved performance. Eastern Bank ranked 4<sup>th</sup> out of 81 lenders that originated or purchased a home mortgage loan to a low-income borrower in the Barnstable Town, MA MSA assessment area in 2016, holding a 4.7 percent market share. The Cape Cod Five Cents Savings Bank ranked 1<sup>st</sup>, with 13.3 percent market; Quicken Loans ranked 2<sup>nd</sup>, with 7.0 percent market share; and Cape Cod Co-operative Bank ranked 3<sup>rd</sup>, with 5.9 percent market share.

In 2015, lending to moderate-income borrowers exceeded aggregate performance and demographic data. Market share rankings further support excellent performance. The bank ranked 4<sup>th</sup> out of 130 lenders that originated or purchased a home mortgage loan to a moderate-income borrower in the Barnstable Town, MA MSA assessment area in 2015. Barnstable County headquartered institutions, The Cape Cod Five Cents Savings Bank and Cape Cod Co-operative Bank, were the top two lenders. Quicken Loans ranked 3<sup>rd</sup>.

In 2016, lending to moderate-income borrowers slightly declined by number, but remained above aggregate performance and demographics. The bank ranked 7<sup>th</sup> out of 137 lenders that originated or purchased a home mortgage loan in the Barnstable Town, MA MSA assessment area in 2016. The only state-chartered institutions that outranked Eastern Bank are The Cape Cod Five Cents Savings Bank, ranked 1<sup>st</sup>, and Cape Cod Co-operative Bank, ranked 4<sup>th</sup>. Other lenders ranked above Eastern Bank include a large national bank and mortgage companies.



Distribution of Home Mortgage Loans by Borrower Income Level Barnstable Town MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	18.1	4.4	6	3.4	221	1.4
2016	18.1	3.3	12	6.3	847	4.3
Moderate						
2015	17.7	16.2	40	22.3	3,242	21.3
2016	17.7	14.0	35	18.2	2,910	14.7
Middle						
2015	24.7	19.8	30	16.8	2,520	16.5
2016	24.7	21.3	43	22.4	3,686	18.6
Upper						
2015	39.5	44.5	84	46.9	8,063	52.9
2016	39.5	49.1	88	45.8	12,114	61.1
Not Available						
2015	0.0	15.0	19	10.6	1,202	7.9
2016	0.0	12.3	14	7.3	268	1.4
Totals						
2015	100.0	100.0	179	100.0	15,248	100.0
2016	100.0	100.0	192	100.0	19,825	100.0
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### **Innovative and Flexible Lending**

The bank makes extensive use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The programs offered in the Barnstable Town MSA are the same as discussed in the overall evaluation, except for the one program specific to RI. Please refer to the Innovative and Flexible Lending section under the overall Lending Test for examples.

### **Community Development Lending**

The bank made an adequate of community development loans in the Barnstable Town MSA since the previous evaluation. Eastern Bank originated two community development loans totaling approximately \$275,000 in this area. As mentioned, the bank originated 11 loans totaling \$43.9 million benefitting the entire State of MA and one loan totaling \$15.0 million that benefited the broader regional area including the Barnstable Town MSA. Please refer to the Community Development Lending section under the overall Lending Test for examples.

## **INVESTMENT TEST**

### **Investment Activity**

The bank made an adequate level of qualified community development investments and grants in the Barnstable Town MSA, particularly those that are provided by private investors, although rarely in a leadership position.

Qualified investments in the Barnstable Town MSA total \$357,031 and consist primarily of Foundation grants. In addition to grants, the bank maintains a prior period Mass Development Bond totaling approximately \$2.0 million to a non-profit organization that provides training and employment services to individuals requiring assistance. This investment has a statewide regional benefit including the Barnstable Town MSA. Please refer to the Investment Activity section under the overall Investment Test for examples.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits adequate responsiveness to credit and community development needs in MA. The majority of investments in the Barnstable Town MSA promote affordable housing and community development services. Please refer to the Responsiveness to Credit and Community Development Needs section under the overall Investment Test for examples.

### **Innovativeness or Complexity of Qualified Investments**

Eastern Bank occasionally uses innovative and/or complex investments to support qualified investments. Please refer to the Innovativeness or Complexity of Qualified Investments factor under the overall Investment Test section for examples.

## **SERVICE TEST**

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the institutions assessment area. The bank operates five branches within the Barnstable Town MSA, with a branch in a low-income area in Hyannis. The remaining branches are in middle- and upper-income areas.

### **Changes in Branch Locations**

The institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous CRA evaluation, the bank did not open any branches in the Barnstable Town MSA. The bank closed a branch in South Sandwich and Teaticket, due to their proximity to other branches. Both were in middle-income areas. There was also one branch relocation in Falmouth in a middle-income area.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area or any group of individuals. Hours and Services factor under the overall Service Test section. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. For details, please refer to the Reasonableness of Business Hours and Services under the Overall Service Test.

### **Community Development Services**

The bank provides an adequate level of community development services. The bank provided 265 service hours during the evaluation period. Refer to the Community Development Services section under the overall Service Test for highlights of activity within the Barnstable Town MSA.

## METROPOLITAN AREAS - PROVIDENCE-WARWICK MSA (Limited-Scope Review)

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN PROVIDENCE-WARWICK, RI-MA MSA

#### Economic and Demographic Information

The bank operates 2, or 2.2 percent, of its 93 full-service branches in this area. This area consists of Acushnet, Berkley, Dighton, Easton, Fairhaven, Freetown, Mansfield, Norton, Raynham, Rehoboth, and Taunton. The following table summarizes pertinent demographic information concerning this assessment area.

Demographic Information of the Assessment Area Providence-Warwick MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	5.3	7.9	42.1	44.7	0.0
Population by Geography	194,735	4.6	6.6	40.2	48.5	0.0
Housing Units by Geography	75,494	5.7	7.7	42.8	43.8	0.0
Owner-Occupied Units by Geography	54,034	2.0	5.1	42.4	50.4	0.0
Occupied Rental Units by Geography	17,145	14.8	14.1	43.1	28.0	0.0
Vacant Units by Geography	4,315	15.3	15.2	46.1	23.4	0.0
Businesses by Geography	11,915	5.8	3.7	43.8	46.8	0.0
Farms by Geography	405	1.7	1.5	36.5	60.2	0.0
Family Distribution by Income Level	51,108	15.7	14.3	19.5	50.4	0.0
Household Distribution by Income Level	71,179	18.5	12.4	16.5	52.6	0.0
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$70,496	Median Housing Value Median Gross Rent Families Below Poverty Level			\$329,277 \$927 4.7%
Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

According to Moody's, as of September 2016, the economy is improving. The jobless rate is falling because the labor force is rising. Hotels, retailers, and restaurants are adding workers faster than the national average due to stronger income trends and support from tourism. The unemployment rate declined over the evaluation period. However, it generally exceeded the national and State of MA unemployment rates.

As of 2016, the top industries included education and health care services, government, professional, and business services, and retail trade. The top employers were Life Span, Care New England, CVS Health Corporation, Citizens Financial Group Inc., and the Naval Station Newport.

The high cost of residential and commercial real estate in Boston has led to increased construction in the Providence-Warwick MSA, according to Moody's Analytics. However, the supply of commercial and industrial buildings is relatively limited in the area. Both single-family and multi-family building permits have generally increased over the evaluation period.

The 2015 and 2016 FFIEC median family income estimates for the Providence-Warwick MSA determine borrower income levels. The following table defines these estimates.

<b>Median Family Income Ranges Providence-Warwick MSA</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Providence-Warwick, RI-MA MSA Median Family Income (39300)</b>				
2015 (\$74,400)	<\$37,200	\$37,200 to <\$59,520	\$59,520 to <\$89,280	≥\$89,280
2016 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720
<i>Source: FFIEC</i>				

## **Competition**

In addition to the demographic composition and the area's economic environment, competition from other financial intermediaries is also a significant performance context factor. As of June 30, 2017, 16 FDIC-insured institutions operating 49 offices were located within the area. The bank ranked 13<sup>th</sup> in total deposits capturing a 1.9 percent market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN PROVIDENCE-WARWICK, RI-MA MSA**

### **LENDING TEST**

Lending Test performance in the Providence-Warwick MSA is consistent with performance in the full-scope Barnstable Town MSA. For 2015 and 2016, the bank originated 162 small business loans totaling approximately \$21.4 million, and 68 home mortgage loans totaling approximately \$19.4 million.

The following table illustrates the bank's geographic distribution of small business and home mortgage loans.

Geographic Distribution of Small Business Loans Providence-Warwick MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	5.6	3.7	4	4.4	160	1.3
2016	5.8	3.9	8	11.1	527	6.0
Moderate						
2015	3.7	3.5	1	1.1	50	0.4
2016	3.7	3.3	2	2.8	100	1.1
Middle						
2015	43.6	47.0	50	55.6	7,169	56.9
2016	43.8	45.9	46	63.9	6,258	71.2
Upper						
2015	47.0	45.8	35	38.9	5,227	41.5
2016	46.8	46.9	16	22.2	1,901	21.6
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>12,606</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>	<b>8,786</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Geographic Distribution of Home Mortgage Loans Providence-Warwick MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	2.0	2.4	1	3.8	14	0.2
2016	2.0	2.0	2	4.8	487	4.3
Moderate						
2015	5.1	5.2	0	0.0	0	0.0
2016	5.1	5.6	2	4.8	297	2.6
Middle						
2015	42.4	41.6	8	30.8	1,920	23.6
2016	42.4	42.3	19	45.2	2,908	25.8
Upper						
2015	50.4	50.8	17	65.4	6,194	76.2
2016	50.4	50.1	19	45.2	7,595	67.3
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>8,128</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>11,287</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

The following table illustrates the bank's lending to businesses with GARs of \$1 million or less and to low- and moderate-income borrowers.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Providence-Warwick MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2015	78.6	47.6	59	65.6	3,879	30.8
2016	83.8	43.9	47	65.3	3,137	35.7
<b>&gt;\$1,000,000</b>						
2015	5.4	--	20	22.2	6,333	50.2
2016	6.3	--	14	19.4	4,431	50.4
<b>Revenue Not Available</b>						
2015	16.0	--	11	12.2	2,394	19.0
2016	10.0	--	11	15.3	1,218	13.9
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>12,606</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>	<b>8,786</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						



Distribution of Home Mortgage Loans by Borrower Income Level Providence-Warwick MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	15.7	2.9	1	3.8	185	2.3
2016	15.7	2.4	2	4.8	342	3.0
Moderate						
2015	14.3	13.4	2	7.7	282	3.5
2016	14.3	11.9	5	11.9	744	6.6
Middle						
2015	19.5	22.2	6	23.1	506	6.2
2016	19.5	22.7	11	26.2	1,277	11.3
Upper						
2015	50.4	40.8	12	46.2	2,976	36.6
2016	50.4	48.0	16	38.1	3,314	29.4
Not Available						
2015	0.0	20.7	5	19.2	4,179	51.4
2016	0.0	15.0	8	19.0	5,610	49.7
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>8,128</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>11,287</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Community development lending performance is consistent with its performance in the full-scope assessment area given the limited operations and presence in this area. During the review period, the institution originated one loan totaling approximately \$2.2 million within the assessment area. Although the bank originated two community development loans in the Barnstable Town MSA, the dollar volume in the Providence-Warwick MSA exceeds the bank's performance in the full-scope assessment area. The bank also originated 11 loans totaling \$43.9 million benefitting the entire State of MA and one loan totaling \$15.0 million that benefited the broader regional area including Providence-Warwick MSA. Examiners provided examples of community development loans under the overall Community Development Lending section.

## **INVESTMENT TEST**

Investment Test performance exceeds that in the Barnstable Town, MSA, but does not change the conclusions for the state. Qualified investments in the Providence Warwick, MSA were \$3.2 million.

## **SERVICE TEST**

Service Test performance is consistent with its performance in the full-scope assessment area. Products, services, and business hours are similar to those offered within the full-scope assessment area. The bank did not open or close any branches in this area. In the Providence-Warwick MSA, employees provided 300 service hours during the evaluation period.

## NEW HAMPSHIRE

**CRA RATING FOR NEW HAMPSHIRE: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Investment Test is rated: High Satisfactory**

**The Service Test is rated: High Satisfactory**

### SCOPE OF EVALUATION

The scope is similar to the overall scope discussed previously, except that this portion of the evaluation only considers assessment area activity in NH, excluding the Multistate MSA. Specifically, this section considers the bank's performance in the Manchester-Nashua, NH MSA and the Non-MSA portions of NH. Please refer to the overall discussion for more information on products reviewed, timeframe, and weighting of products. Within the NH assessment areas, the Manchester-Nashua MSA represents 82.0 percent of the number of loans, 84.6 percent of deposits, and 75.0 percent of the bank's offices. Therefore, the bank's performance in the Manchester-Nashua MSA carried the most weight in arriving at overall ratings and conclusions for NH.

This area accounts for the smallest portion of lending by number of loans, deposits, and branches compared to the Multistate MSA and the MA assessment areas; therefore, the performance in this area carries less weight in arriving at overall ratings and conclusions.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE

The bank maintains four branches in NH excluding the Multistate MSA. This represents 4.3 percent of branches. The NH assessment areas are new since the last examination. After merging with Centrix, Eastern Bank expanded the assessment area and acquired four branches. The bank offers the same products and services in the NH assessment areas as discussed in the combined assessment area. The NH assessment area includes towns and cities in Hillsborough and Merrimack Counties. Please refer to the listing, *Combined Assessment Area Cities and Towns*, in the Description of Assessment Area section for further details on the towns and cities in these assessment areas.

The NH assessment areas contain 93 census tracts with the following income designation.

- 8 low-income tracts,
- 19 moderate-income tracts,
- 42 middle-income tracts,
- 23 upper-income tracts, and
- 1 census tract with no income designation.

The following table illustrates select demographic characteristics of the NH assessment areas.

Demographic Information of the Assessment Area New Hampshire Assessment Areas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	93	8.6	20.4	45.2	24.7	1.1
Population by Geography	425,479	6.2	17.4	47.5	29.0	0.0
Housing Units by Geography	175,459	7.2	19.4	47.2	26.2	0.0
Owner-Occupied Units by Geography	111,223	1.7	12.0	50.9	35.4	0.0
Occupied Rental Units by Geography	53,991	17.3	33.2	40.3	9.3	0.0
Vacant Units by Geography	10,245	13.4	27.2	43.4	16.0	0.0
Businesses by Geography	30,779	10.8	13.6	45.5	29.7	0.4
Farms by Geography	765	2.7	7.8	47.2	42.2	0.0
Family Distribution by Income Level	111,022	18.2	17.7	23.0	41.2	0.0
Household Distribution by Income Level	165,214	22.1	16.2	19.1	42.6	0.0
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$81,794	Median Housing Value Median Gross Rent			\$263,117 \$992
Median Family Income Non-MSAs – NH		\$66,238	Families Below Poverty Level			5.3%
Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2016 D&B data, there were 30,779 businesses in the assessment area. Gross annual revenues (GARs) for these businesses are below.

- 80.6 percent have \$1 million or less.
- 7.4 percent have more than \$1 million.
- 12.0 percent have unknown revenues.

Business demographics indicate that the majority of businesses in the NH assessment areas are small businesses with four or fewer employees. Specifically, 69.9 percent of businesses employ 4 or fewer employees and 86.5 percent operate from a single location. Service industries represent the largest portion of businesses at 47.4 percent; followed by retail trade at 13.3 percent; construction at 9.2 percent; and finance, insurance, and real estate at 8.8 percent.

Data obtained from Moody's indicate that the unemployment rates in NH fell over the evaluation period. As of September 2016, the unemployment rate for the Manchester-Nashua, NH MSA was 3.0 percent.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are 175,459 housing units in the NH assessment areas. Of the owner-occupied housing units, 1.7 percent is in low-income census tracts and 12.0 percent are in moderate-income census tracts. According to Moody's, the single-family permits increased significantly from 2015 and 2016 and are predicted to continue increasing over the next two years.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAMPSHIRE**

### **LENDING TEST**

The bank's Lending Test performance is rated Satisfactory. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect good responsiveness to the NH assessment area credit needs, considering the performance context and competition. During 2015 and 2016, Eastern Bank originated 447 small business loans totaling approximately \$106.4 million, and 54 home mortgage loans totaling approximately \$86.9 million inside the NH assessment area.

In 2015, Eastern Bank ranked 12<sup>th</sup> out of 85 lenders that reported a small business loan in Hillsborough or Merrimack Counties. Eastern Bank was the highest ranked regional bank, holding a market share of 2.4 percent by number. The bank also held the second highest market share by dollar volume, at 14.8 percent. The top ranked lenders consist primarily of credit card lenders, such as American Express, FSB; Capital One Bank (USA), N.A.; and Citibank, N.A.

The bank ranked 12<sup>th</sup> out of 91 lenders that originated or purchased a small business loan in Hillsborough or Merrimack Counties in 2016. Eastern Bank held a market share of 2.2 percent by number and 13.0 percent by dollar amount, remaining the highest ranked regional bank and second highest market share by dollar volume. Large national credit card lenders were the top ranked reporters, including American Express, FSB; Citibank, N.A., and TD Bank, N.A.

Eastern Bank ranked 74<sup>th</sup> out of 313 lenders that originated or purchased a home mortgage loan in the NH assessment area. The bank earned a market share of 0.2 percent. The top ranked lenders included mortgage companies such as Residential Mortgage Services and Regency Mortgage Corporation, respectively ranked 1<sup>st</sup> and 3<sup>rd</sup>. Other top reporters included large national banks, such as Wells Fargo Bank, NA, ranked 2<sup>nd</sup>, and JP Morgan Chase Bank, NA, ranked 7<sup>th</sup>; and local lenders, such as Merrimack Mortgage Company, LLC, ranked 4<sup>th</sup>, and Merrimack County Savings Bank, ranked 11<sup>th</sup>.

In 2016, the bank ranked 87<sup>th</sup> out of 322 lenders that reported a home mortgage loan in the NH assessment area. Eastern Bank held a 0.2 percent market share. Lenders ranked above Eastern Bank include mortgage companies, large national banks, and state and regional institutions. Wells Fargo Bank, NA ranked 1<sup>st</sup>, with 9.1 percent market share; Residential Mortgage Services ranked 2<sup>nd</sup>, with 8.8 percent market share; and Merrimack Mortgage Company LLC ranked 3<sup>rd</sup>, with 5.8 percent market share.

#### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment area. The bank's excellent performance of small business lending and adequate performance of home

mortgage lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent penetration throughout the NH assessment area. In 2015, the bank performed well above the aggregate and demographic data in low-income census tracts in Hillsborough and Merrimack Counties. Eastern Bank ranked 8<sup>th</sup> out of 39 lenders that reported a small business loan in these counties in 2015. The bank captured a 5.2 percent market share. Eastern Bank was the highest ranked state or regional bank, outperformed only by large national banks and credit card lenders. American Express, FSB ranked 1<sup>st</sup>, with a 20.5 percent market share, followed by Capital One Bank (USA), N.A., with a 11.1 percent market share.

Eastern Bank continued its strong performance of small business lending in low-income census tracts in 2016, exceeding aggregate performance and demographics. The bank ranked 8<sup>th</sup> out of 46 lenders that reported a small business loan in a low-income census tract in Hillsborough or Merrimack Counties in 2016. Eastern Bank remained the highest-ranked state-chartered institution, earning a market share of 4.2 percent. American Express, FSB was the top ranked lender, with a 20.7 percent market share; followed by Citibank, N.A., with a market share of 8.7 percent.

In 2015, lending in moderate-income census tracts was below aggregate performance and demographic data. The bank ranked 14<sup>th</sup> out of 45 lenders that reported a small business loan in a moderate-income census tract in Hillsborough or Merrimack Counties in 2015. Eastern Bank held a 1.7 percent market share. MA-based Enterprise Bank and Trust Company outperformed Eastern Bank, ranking 13<sup>th</sup> with a 2.2 percent market share. Other reporters to rank above Eastern Bank consist only of large credit card lenders and national banks. American Express, FSB ranked 1<sup>st</sup>, with a 15.7 percent market share; Citibank, N.A. ranked 2<sup>nd</sup>, with a 12.6 percent market share; and Capital One Bank (USA), N.A. ranked 3<sup>rd</sup>, with a 12.0 percent market share.

Eastern Bank improved its performance of small business lending in moderate-income census tracts in 2016, rising above aggregate performance and the percentage of businesses. The bank captured a market share of 2.4 percent, ranking 11<sup>th</sup> out of 55 lenders that reported a small business loan in a moderate-income census tract in Hillsborough or Merrimack Counties in 2016. Eastern Bank was the top ranked state-chartered institution. Lenders ranked higher than Eastern Bank are large credit card lenders and national banks. Top performers include American Express, FSB; Citibank, N.A.; and Capital One Bank (USA), N.A.

Geographic Distribution of Small Business Loans						
New Hampshire Assessment Areas						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	10.3	8.8	38	17.1	8,145	14.3
2016	10.8	9.2	35	15.6	4,151	8.4
Moderate						
2015	13.2	13.9	21	9.5	4,724	8.3
2016	13.6	12.9	32	14.2	7,893	16.0
Middle						
2015	46.1	44.2	92	41.4	25,056	43.9
2016	45.5	44.0	90	40.0	22,417	45.5
Upper						
2015	30.0	32.7	70	31.5	18,610	32.6
2016	29.7	33.4	66	29.3	13,916	28.3
Not Available						
2015	0.3	0.3	1	0.4	600	1.0
2016	0.4	0.5	2	0.9	850	1.7
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>222</b>	<b>100.0</b>	<b>57,135</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>225</b>	<b>100.0</b>	<b>49,227</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the NH assessment areas. In 2015, Eastern Bank's performance of lending in low-income census tracts in these assessment areas far exceeded aggregate performance and area demographics. The bank ranked 15<sup>th</sup> out of 72 lenders that reported a home mortgage loan in a low-income census tracts, with a 1.3 percent market share by number. Eastern Bank held the highest market share by dollar volume, at 10.7 percent. State or regional lenders that ranked above Eastern Bank include Merrimack Mortgage Company, LLC; The Lowell Five Cent Savings Bank; Enterprise Bank and Trust Company; and Lake Sunapee Bank. Other top lenders include mortgage companies and large national banks, such as Residential Mortgage Services and Wells Fargo Bank, NA.

Lending in low-income census tracts declined in 2016, but the bank's performance slightly exceeded aggregate performance and demographic data. Eastern Bank ranked 78<sup>th</sup> out of 93 lenders that reported a loan in a low-income census tract in the NH assessment area in 2016, with a 0.3 percent market share. Thirty-three of the reporting lenders originated or purchased a single

home mortgage loan in a low-income census tract. Lenders ranked above Eastern Bank include mortgage companies, locally based financial institutions, and large national banks. Residential Mortgage Services ranked 1<sup>st</sup>, with a 9.4 percent market share; Wells Fargo Bank, NA ranked 2<sup>nd</sup>, with a 6.2 percent market share; and Freedom Mortgage Corporation ranked 3<sup>rd</sup>, with a 5.7 percent market share.

In 2015, home mortgage lending in moderate-income census tracts exceeded aggregate performance and the percentage of owner-occupied housing units. The bank held a market share of 0.3 percent, ranking 56<sup>th</sup> out of 161 lenders that reported a loan in a moderate-income census tract. Mortgage companies, large national banks, and state and regional financial institutions comprised the top lenders. Residential Mortgage Services ranked 1<sup>st</sup>, with an 11.0 percent market share, followed by Wells Fargo Bank, NA, with an 8.2 percent market share.

In 2016, lending in moderate-income census tracts declined; however, performance remained slightly above aggregate performance and demographics. The bank ranked 75<sup>th</sup> out of 176 lenders that reported a home mortgage loan in a moderate-income census tract in 2016, with a 0.2 percent market share. The highest ranked lenders included large national banks, state and regional financial institutions, and mortgage companies. The top three lenders consist of Residential Mortgage Services; Wells Fargo Bank, NA; and St. Mary's Bank.



Geographic Distribution of Home Mortgage Loan						
New Hampshire Assessment Areas						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	1.7	2.2	4	16.0	11,424	35.5
2016	1.7	2.1	1	3.4	142	0.3
Moderate						
2015	12.0	12.5	5	20.0	2,725	8.5
2016	12.0	12.3	4	13.8	46,588	85.2
Middle						
2015	50.9	48.8	4	16.0	763	2.4
2016	50.9	50.0	15	51.7	5,060	9.2
Upper						
2015	35.4	36.5	12	48.0	17,285	53.7
2016	35.4	35.6	9	31.0	2,918	5.3
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>32,197</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>54,708</b>	<b>100.0</b>

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

## **Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the NH assessment areas. The bank's adequate performance of small business lending and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to business with GARs of \$1 million or less and of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of small business loans reflects adequate penetration of loans to businesses with GARs of \$1 million or less. In 2015, lending was well below aggregate performance and demographics. Eastern Bank ranked 12<sup>th</sup> out of 48 lenders that reported a small business loan to a business with GARs of \$1 million or less in Hillsborough or Merrimack Counties in 2015. The bank captured a market share of 1.5 percent. Two regional financial institutions ranked above Eastern Bank; Enterprise Bank and Trust Company ranked 9<sup>th</sup> and Lake Sunapee Bank FSB ranked 11<sup>th</sup>. Other top performers include large credit card lenders and national banks, such as American Express, FSB; Bank of America, N.A.; and Citibank, N.A.

Eastern Bank marginally improved its performance of lending to businesses with GARs of \$1 million or less in 2016, but remained below aggregate performance and demographics. The bank ranked 12<sup>th</sup> out of 43 lenders that reported a small business loan to a business with a GAR of \$1 million or less in 2016, with a 1.5 percent market share. Enterprise Bank and Trust Company and Lake Sunapee Bank FSB continued to achieve slightly higher activity than Eastern Bank, ranking 10<sup>th</sup> and 11<sup>th</sup>, respectively. The top three lenders consist of American Express, FSB; Citibank, N.A.; and Capital One Bank (USA), N.A. These three lenders held a combined market share of 60.0 percent.

Distribution of Small Business Loans by Gross Annual Revenue Category						
New Hampshire Assessment Areas						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	76.7	42.9	59	26.6	10,455	18.3
2016	80.6	41.8	66	29.3	7,702	15.6
>\$1,000,000						
2015	6.1	--	104	46.8	36,681	64.2
2016	7.3	--	87	38.7	32,959	67.0
Revenue Not Available						
2015	17.1	--	59	26.6	9,999	17.5
2016	12.0	--	72	32.0	8,566	17.4
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>222</b>	<b>100.0</b>	<b>57,135</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>225</b>	<b>100.0</b>	<b>49,227</b>	<b>100.0</b>

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available.  
Due to rounding, totals may not equal 100.0

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects adequate penetration. Examiners focused on the comparison to aggregate data.

In 2015, home mortgage lending to low-income borrowers exceeded aggregate performance. Eastern Bank ranked 56<sup>th</sup> out of 108 lenders that reported a home mortgage loan to a low-income borrower in the assessment areas in 2015. The bank held a market share of 0.3 percent. Mortgage companies, large national banks, and local financial institutions were among the top ranked lenders. These include Residential Mortgage Services; Wells Fargo Bank, NA; and St. Mary's Bank.

In 2016, the bank did not originate any loans to low-income borrowers. In 2016, 108 lenders reported 668 home mortgage loans to low-income borrowers in this assessment area. Of these

lenders, 44 reported a single home mortgage loan to a low-income borrower and only the top 15 ranked lenders reported 10 or more loans. The majority of top ranked lenders are large mortgage companies and national banks.

In 2015, Eastern Bank did not report any loans to moderate-income borrowers in the NH assessment areas. In the NH assessment areas, 159 lenders reported 2,628 home mortgage loans to moderate-income borrowers in 2015. This indicates an active lending market among moderate-income borrowers and opportunities for home mortgage lending. Top ranked lenders include mortgage companies, state and regional institutions, and large national banks, such as Residential Mortgage Services; Wells Fargo Bank, NA; Merrimack Mortgage Company, LLC; and Merrimack County Savings Bank.

Lending to moderate-income borrowers improved slightly in 2016, but remained far below aggregate performance and the percentage of moderate-income families. Eastern Bank held 0.1 percent market share, ranking 121<sup>st</sup> out of 170 lenders that reported a home mortgage loan to a moderate-income borrower in 2016. Approximately half of these lenders reported fewer than four loans. The highest ranked lenders consisted of mainly mortgage companies and large national banks, as well as some state and regional institutions, such as Merrimack County Savings Bank and Granite State Credit Union.

The bank's recent expansion into the NH assessment areas partially explains the limited lending to low- and moderate-income borrowers in 2015 and 2016. The bank is new to this area and does not maintain a significant presence. Eastern Bank maintains 4 branches, or 4.3 percent of the bank's total branches in NH. No branches are in low- or moderate-income census tracts. Additionally, Eastern Bank has continued focusing on commercial lending in NH, employing no mortgage loan officers in NH.

Distribution of Home Mortgage Loans by Borrower Income Level New Hampshire Assessment Areas						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	18.2	5.6	2	8.0	276	0.9
2016	18.2	4.1	0	0.0	0	0.0
Moderate						
2015	17.7	18.6	0	0.0	0	0.0
2016	17.7	16.4	2	6.9	290	0.5
Middle						
2015	23.0	23.4	3	12.0	597	1.9
2016	23.0	23.1	3	10.3	586	1.1
Upper						
2015	41.2	32.0	8	32.0	2,549	7.9
2016	41.2	38.3	14	48.3	4,659	8.5
Not Available						
2015	0.0	20.4	12	48.0	28,775	89.4
2016	0.0	18.1	10	34.5	49,173	89.9
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>32,197</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>54,708</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### **Innovative and Flexible Lending**

The bank makes limited use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The programs offered in the NH assessment areas are the same as discussed in the overall evaluation, except for the state programs specific to MA and RI. Please refer to the Innovative and Flexible Lending section under the overall Lending Test for examples.

### **Community Development Lending**

The bank made an adequate level of community development loans in the NH assessment areas. This conclusion considers community development loans that specifically benefit the Manchester-Nashua, NH MSA, and the Non-MSA of NH. Eastern Bank originated two community development loans totaling approximately \$2.1 million in these areas. The bank also originated one loan totaling \$1.0 million that benefited the entire state of NH. In addition, the bank originated one loan totaling \$15.0 million that benefited the broader regional area including

the NH assessment areas. Please refer to the Community Development Lending section under the overall Lending Test for examples.

## **INVESTMENT TEST**

The bank's Investment Test performance is rated High Satisfactory.

### **Investment Activity**

The bank made a good level of qualified community development investments and grants in the NH assessment areas. Qualified investments, including donations and grants totaled \$11.7 million or 4.5 percent of the bank's total community development investments.

The bank acquired the five prior period investments totaling approximately \$9.0 million through the Centrix merger. The investments benefit the NH assessment area and a broader statewide regional area.

New investments consisted of a \$1.0 million investment to the New Hampshire Community Loan Fund and an additional 10 investments totaling \$312,000 to the NHCDFA through tax credit investments. Qualified grants totaled \$1.3 million in the NH assessment area. Please refer to the Investment Activity section under the overall Investment Test for further examples.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits good responsiveness to credit and community development needs in this area. The bank's \$1 million investment into the New Hampshire Community Loan Fund responds to and provides access to housing and productive resources for lower-income households and disadvantaged individuals. The qualified investments support community development services. The bank also provided a \$10,000 donation to the New Hampshire Community Loan Fund. The donation specifically targeted small business lending and technical assistance for small businesses. Two community contacts noted a need for small business financing, especially micro lending and business assistance. Additionally, the bank donated \$250,000 to the New Hampshire Charitable Foundation to support workforce training in NH and increase opportunities. Please refer to the Responsiveness of Credit and Community Development Needs section under the overall Investment Test for further details.

### **Innovativeness or Complexity of Qualified Investments**

Eastern Bank makes occasional use of innovative and/or complex investments. The bank acquired the innovative and complex investments, LIHTCs and bonds, through the Centrix merger. Please refer to the Innovativeness or Complexity of Qualified Investments section under the overall Investment Test for examples.

## **SERVICE TEST**

The bank's Service Test performance is rated High Satisfactory.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to all portions of the assessment area. Eastern Bank operates 4 branches or 4.3 percent of its branches throughout this area. Of these, two (50.0 percent) are in middle-income census tracts; two (50 percent) are in upper-income census tracts.

### **Changes in Branch Locations**

To the extent changes have been made, the bank's opening and closing of branches has not generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

### **Reasonableness of Business Hours and Services**

Services, including business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. For details, please refer to the Reasonableness of Business Hours and Services under the overall Service Test.

### **Community Development Service**

The bank provides a relatively high level of community development services providing 1,469 hours of related services to the New Hampshire assessment area. Employees' participation supported community services and economic development. Activity level is relatively high considering the NH assessment area is new. Please refer to the Community Development Services section under the overall Service Test for highlights of activity within the NH assessment areas.

## METROPOLITAN AREAS - MANCHESTER-NASHUA MSA (Full-Scope Review)

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MANCHESTER-NASHUA, NH MSA

#### Economic and Demographic Information

The bank operates 3, or 3.2 percent, of its 93 full-service branches in this area. This area is composed of the following 11 cities and towns in Hillsborough County: Amherst, Bedford, Goffstown, Hollis, Manchester, Merrimack, Nashua, New Boston, Hudson, Litchfield, and Pelham. The following table summarizes pertinent demographic information concerning this assessment area.

Demographic Information of the Assessment Area Manchester-Nashua MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	69	11.6	24.6	42.0	20.3	1.4
Population by Geography	330,248	8.0	20.2	45.4	26.3	0.0
Housing Units by Geography	135,309	9.3	22.5	44.8	23.4	0.0
Owner-Occupied Units by Geography	84,699	2.3	14.9	50.3	32.5	0.0
Occupied Rental Units by Geography	42,630	21.9	35.6	35.1	7.4	0.0
Vacant Units by Geography	7,980	17.2	32.0	38.6	12.2	0.0
Businesses by Geography	22,783	14.6	15.5	41.6	27.7	0.5
Farms by Geography	500	4.2	11.0	45.2	39.6	0.0
Family Distribution by Income Level	86,000	19.4	18.3	23.3	39.0	0.0
Household Distribution by Income Level	127,329	23.4	16.5	19.6	40.6	0.0
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$81,794	Median Housing Value Median Gross Rent Families Below Poverty Level			\$267,677 \$1,007 5.5%
Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

According to Moody's Analytics as of September 2016, the Manchester-Nashua MSA economy has performed significantly well compared to the Northeast region. The area benefits from a highly educated workforce; close proximity to Boston; and no state sales, income, or capital gains tax. The high quality of life and competitive cost of living position the Manchester-Nashua MSA to attract workers from Boston. Further, the labor participation rate was at a five year high as of August 2016.

Unemployment rates steadily declined over the evaluation period, according to Moody's Analytics. The unemployment rates were generally consistent with the State of NH and below the nationwide average.

As of 2016, the top industries were education and health services, professional and business services, retail trade, and manufacturing. The top employers were DeMoulas Super Markets, Hannaford Brothers Co., BAE Systems Electronic Solutions, and Elliot Hospital.

According to Moody's, the vacancy rates in the area are well below the national and state level. Housing prices remain similar to the state but above the national level. Additionally, the number of single-family housing permits increased over the evaluation period and the number of multi-family housing permits decreased. Further, Moody's Analytics states that the dwindling housing stock will fuel an increase in both construction employment and homebuilding.

Borrower income levels are based on the 2015 and 2016 FFIEC median family income estimates for the Manchester-Nashua MSA, which are depicted in the following table.

Median Family Income Ranges Manchester-Nashua MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Manchester-Nashua, NH MSA Median Family Income (31700)				
2015 (\$89,700)	<\$44,850	\$44,850 to <\$71,760	\$71,760 to <\$107,640	≥\$107,640
2016 (\$83,100)	<\$41,550	\$41,550 to <\$66,480	\$66,480 to <\$99,720	≥\$99,720
<i>Source: FFIEC</i>				

## **Competition**

In addition to the demographic composition and economic environment of the area, competition from other financial intermediaries is also a significant performance context factor. As of June 30, 2017, 21 FDIC-insured institutions operating 82 offices were located within the area. The bank ranked 5<sup>th</sup> in total deposits with a 2.6 percent market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MANCHESTER-NASHUA, NH MSA**

### **LENDING TEST**

#### **Lending Activity**

Lending levels reflect good responsiveness to the Manchester-Nashua MSA assessment area credit needs, considering the performance context and competition. During 2015 and 2016, Eastern Bank originated 362 small business loans totaling approximately \$77.9 million, and 49 home mortgage loans totaling approximately \$85.4 million inside this assessment area.

Eastern Bank ranked 11<sup>th</sup> out of 80 lenders that reported a small business loan in Hillsborough County in 2015. The bank held a market share of 2.7 percent by number and 14.8 percent by dollar amount, which is the second largest market share by dollar volume. Eastern Bank was the top ranked regional lender, outperformed only by large credit card lenders and national banks.



American Express, FSB ranked 1<sup>st</sup>, with 19.6 percent market share, followed by Capital One Bank (USA), N.A., with 10.3 percent market share.

In 2016, Eastern Bank held a market share of 2.4 percent, ranking 11<sup>th</sup> out of 85 lenders that reported a small business loan in Hillsborough County. The bank continued to earn the second highest market share rank by dollar amount, with a 12.6 percent market share. Eastern Bank was also the top regional institution. Lenders ranked above Eastern Bank include American Express, FSB; Citibank, N.A.; and Capital One Bank (USA), N.A.

Regarding home mortgage lending, Eastern Bank ranked 68<sup>th</sup> out of 294 reporting lenders in the Manchester-Nashua, NH MSA assessment area in 2015. The bank's market share was 0.2 percent by number and 1.2 percent by dollar amount. Among the higher ranked lenders were larger financial institutions and mortgage companies that operate nationally, as well as some regionally based institutions. These include Residential Mortgage Services; Wells Fargo Bank, NA; Merrimack Mortgage Company, LLC; and St. Mary's Bank.

In 2016, the bank ranked 85<sup>th</sup> out of 308 lenders that reported a home mortgage loan in the Manchester-Nashua, NH MSA assessment area. This decline may be partially attributed to the halt in residential loan production in 2016. Eastern Bank earned a market share of 0.2 percent by number and 1.7 percent by dollar volume. Highest ranked lenders include large national banks and mortgage companies, and some state and regional institutions. Wells Fargo Bank, NA; Residential Mortgage Services; and Merrimack Mortgage Company LLC comprise the top three lenders.

### **Geographic Distribution**

The geographic distribution of loans reflects excellent penetration throughout the assessment area. The bank's excellent performance of small business lending and good performance of home mortgage lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent penetration throughout the Manchester-Nashua MSA assessment area. In 2015, Eastern Bank's performance of lending in low-income census tracts exceeded aggregate performance by approximately 10.0 percentage points. Lending in low-income census tracts also exceeded demographics. Eastern Bank held a market share of 5.2 percent, ranking 8<sup>th</sup> out of 39 lenders that reported a small business loan in Hillsborough County in 2015. Eastern Bank was the highest ranked state-chartered institution. Lenders ranked above Eastern Bank include credit card lenders such as American Express, FSB, ranked 1<sup>st</sup> with a 20.5 percent market share; and Capital One Bank (USA), N.A., ranked 2<sup>nd</sup> with an 11.1 percent market share.

Lending in low-income census tracts declined slightly in 2016, but remained above aggregate performance and demographic data. The bank ranked 8<sup>th</sup> out of 46 lenders that reported a small business loan in a low-income census tract in Hillsborough County, with a 4.2 percent market share. Eastern Bank was again the top ranked state-chartered institution, outperformed only by large national banks and credit card lenders. American Express, FSB ranked 1<sup>st</sup>, followed by

Bank of America, N.A. and Citibank, N.A. The top three lenders captured a combined 40.2 percent market share.

In 2015, lending in moderate-income census tracts was below aggregate performance and demographic data. However, market share rankings indicate a relatively strong performance. Eastern Bank ranked 12<sup>th</sup> out of 44 lenders that reported a small business loan in a moderate-income census tract in Hillsborough County in 2015. The bank held a 1.8 percent market share. Enterprise Bank and Trust Company, ranked 10<sup>th</sup>, was the only state-chartered institution to outperform Eastern Bank. The other top reporters consist of large national banks and credit card lenders, such as American Express, FSB; Citibank, N.A.; and TD Bank, N.A.

In 2016, lending in moderate-income census tracts improved with performance exceeding both aggregate performance and demographics. The bank was the highest-ranked state or regional financial institution for lending in moderate-income census tracts in Hillsborough County in 2016, ranked 8<sup>th</sup> out of 52 reporting lenders. Large credit card lenders comprise the top ranked lenders. These include American Express, FSB; Citibank, N.A.; and Bank of America, N.A.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Manchester-Nashua MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2015	13.9	11.4	38	21.0	8,145	19.2
2016	14.6	11.8	35	19.3	4,151	11.7
Moderate						
2015	15.3	15.4	20	11.0	4,124	9.7
2016	15.5	14.5	32	17.7	7,893	22.3
Middle						
2015	42.4	42.9	73	40.3	17,180	40.4
2016	41.6	41.6	62	34.3	13,443	38.0
Upper						
2015	28.0	29.8	49	27.1	12,430	29.3
2016	27.7	31.6	50	27.6	9,086	25.6
Not Available						
2015	0.4	0.4	1	0.6	600	1.4
2016	0.5	0.6	2	1.1	850	2.4
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>	<b>42,479</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>	<b>35,423</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects good penetration throughout the Manchester-Nashua MSA assessment area. In 2015, lending in low-income census tracts exceeded aggregate performance and demographic data. The bank ranked 15<sup>th</sup> out of 72 lenders that reported a loan in a low-income census tract in this assessment area in 2015, with a 1.3 percent market share. Eastern Bank held the highest market share by dollar volume, at 10.7 percent. State or regional lenders that ranked above Eastern Bank include Merrimack Mortgage Company, LLC, ranked 6<sup>th</sup>; The Lowell Five Cent Savings Bank, ranked 7<sup>th</sup>; Enterprise Bank and Trust Company, ranked 9<sup>th</sup>; and Lake Sunapee Bank, ranked 11<sup>th</sup>. Other top lenders include mortgage companies and large national banks, such as Residential Mortgage Services and Wells Fargo Bank, NA.

In 2016, lending in low-income census tracts declined, but remained slightly above aggregate performance and demographics. However, because of the relatively low volume of home mortgage loans, each loan accounts for 4.0 percentage points. Eastern Bank ranked 78<sup>th</sup> out of 93 lenders that reported a home mortgage loan in a low-income census tract in the Manchester-Nashua MSA assessment area in 2016. Of these lenders, 43 only reported one or two home mortgage. The highest ranked lenders include some state and regional financial institutions, large national banks, and mortgage companies. These include Residential Mortgage Services; Wells Fargo Bank, NA; Merrimack Mortgage Company LLC; The Lowell Five Cent Savings Bank; and Enterprise Bank and Trust Company.

In 2015, lending in moderate-income tracts exceeded aggregate performance and demographic data. Eastern Bank ranked 53<sup>rd</sup> out of 158 lenders that reported a loan in a moderate-income census tract in this assessment area in 2015. The bank held a market share of 0.3 percent by number and 0.8 percent by dollar amount. Top lenders include mortgage companies, state or regional lenders, and national banks. Residential Mortgage Services ranked 1<sup>st</sup>, with an 11.4 percent market share; Wells Fargo Bank, NA ranked 2<sup>nd</sup>, with an 8.4 percent market share; and St. Mary's Bank ranked 3<sup>rd</sup>, with a 6.2 percent market share.

In 2016, lending in moderate-income census tracts was slightly above aggregate performance and demographics. The bank held a market share of 0.2 percent, ranking 73<sup>rd</sup> out of 172 lenders that reported a loan in a moderate-income census tract in the Manchester-Nashua MSA assessment area in 2016. Eastern Bank held the highest market share by dollar volume, at 10.0 percent, with an average loan size of \$11.6 million. The disparity between Eastern Bank's market share by number compared to market share by dollar volume is due to the bank's focus on multifamily lending in NH. Mortgage companies, regional and state financial institutions, and national banks were among the top ranked lenders. Examples include Residential Mortgage Services; Wells Fargo Bank, NA; St. Mary's Bank; and Merrimack Mortgage Company LLC.

Geographic Distribution of Home Mortgage Loans Manchester-Nashua MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	2.3	2.7	4	16.7	11,424	35.6
2016	2.3	2.7	1	4.0	142	0.3
Moderate						
2015	14.9	14.9	5	20.8	2,725	8.5
2016	14.9	14.6	4	16.0	46,588	87.5
Middle						
2015	50.3	48.5	4	16.7	763	2.4
2016	50.3	49.6	13	52.0	4,135	7.8
Upper						
2015	32.5	33.9	11	45.8	17,205	53.6
2016	32.5	33.1	7	28.0	2,403	4.5
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>32,117</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>53,268</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## **Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the Manchester-Nashua MSA. The bank's adequate performance of small business lending and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to business with GARs of \$1 million or less and of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of small business loans reflects adequate penetration of loans to businesses with GARs of \$1 million or less. In 2015, the bank's performance of lending to businesses with GARs of \$1 million or less was below aggregate performance and demographic data. Eastern Bank held a market share of 1.7 percent, ranking 11<sup>th</sup> out of 41 lenders that reported a small business loan in Hillsborough County in 2015. Eastern Bank was the second highest ranked state-chartered institution, outperformed only by Enterprise Bank and Trust Company, ranked 8<sup>th</sup>

with a 3.0 percent market share. Large credit card lenders were among the top-ranked reporters, including American Express, FSB, and Citibank, N.A.

Eastern Bank marginally improved its performance of lending to businesses with GARs of \$1 million or less in 2016, but remained below aggregate performance. The bank ranked 10<sup>th</sup> out of 39 lenders that reported lending to a business with GARs of \$1 million or less in 2016 in Hillsborough County. Eastern Bank held a market share of 1.6 percent by number, and 6.7 percent by dollar volume. Enterprise Bank and Trust Company continued to outperform Eastern Bank, ranking 9<sup>th</sup> with a 2.0 percent market share. All other lenders ranked above Eastern Bank are credit card lenders and large national banks, such as Bank of America, N.A. and TD Bank N.A.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Manchester-Nashua MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2015	77.5	44.3	51	28.2	8,410	19.8
2016	81.6	42.5	55	30.4	6,323	17.9
<b>&gt;\$1,000,000</b>						
2015	6.2	--	77	42.5	24,740	58.2
2016	7.3	--	62	34.3	21,744	61.4
<b>Revenue Not Available</b>						
2015	16.3	--	53	29.3	9,329	22.0
2016	11.0	--	64	35.4	7,356	20.8
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>	<b>42,479</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>	<b>35,423</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects adequate penetration. In 2015, lending to low-income borrowers slightly exceeded aggregate performance. Eastern Bank ranked 54<sup>th</sup> out of 102 lenders that reported home mortgage loans in the Manchester-Nashua MSA assessment area in 2015. The bank held a 0.3 percent market share. Lenders ranked higher than Eastern Bank include mortgage companies, large national banks, and state and regional financial institutions, such as Residential Mortgage Services; Wells Fargo Bank, NA; and St. Mary's Bank. A majority of the reporters originated fewer than four home mortgage loans to low-income borrowers in 2015.

In 2016, Eastern Bank did not originate any home mortgage loans to low-income borrowers in this assessment area. In 2016, 103 reporting lenders originated or purchased 597 home mortgage loans to low-income borrowers. Of these lenders, 44 reported a single loan. The highest ranked lenders primarily include mortgage companies and large national banks, as well as some local and regional institutions. Examples include Merrimack Mortgage Company, LLC; Regency Mortgage Corporation; and Quicken Loans.

In 2015, Eastern Bank did not lend to any moderate-income borrowers in this assessment area. In the Manchester-Nashua MSA assessment area, 151 lenders reported 2,201 home mortgage loans to moderate-income borrowers. Although this activity level indicates demand and opportunities for home mortgage lending to moderate-income borrowers, Eastern Bank's lending strategy in NH is to focus on multi-family and commercial loans. Mortgage companies, large national banks, and state and regional financial institutions were among the top ranked lenders.

The bank slightly improved performance in home mortgage lending to moderate-income borrowers in 2016; however, performance remained below aggregate performance and demographic data. Eastern Bank ranked 116<sup>th</sup> out of 163 lenders that reported a home mortgage loan in this assessment area in 2016, with a 0.1 percent market share. Top ranked lenders include mortgage companies, national banks, and state and regional lenders. Residential Mortgage Services; Wells Fargo Bank, NA; and Merrimack Mortgage Company LCC comprised the top three lenders, capturing a combined 32.0 percent market share.

Several factors help to mitigate the bank's limited home mortgage lending in the Manchester-Nashua MSA. As mentioned, this area is new to the bank since the last evaluation. Following the 2014 Centrix merger, the bank expanded the assessment area to include the Manchester-Nashua MSA. In addition, Centrix focused heavily on commercial lending with limited residential lending activity. The majority of Eastern's lending activity in this area has been through previous Centrix business customers. Lastly, as mentioned previously, the bank halted residential loan production in 2016 when the bank decided to outsource mortgage operations. Considering these factors, the bank's lending activity is adequate.

Distribution of Home Mortgage Loans by Borrower Income Level Manchester-Nashua MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	19.4	6.4	2	8.3	276	0.9
2016	19.4	4.5	0	0.0	0	0.0
Moderate						
2015	18.3	19.6	0	0.0	0	0.0
2016	18.3	17.1	2	8.0	290	0.5
Middle						
2015	23.3	23.1	3	12.5	597	1.9
2016	23.3	23.1	3	12.0	586	1.1
Upper						
2015	39.0	30.1	7	29.2	2,469	7.7
2016	39.0	36.8	12	48.0	4,144	7.8
Not Available						
2015	0.0	20.9	12	50.0	28,775	89.6
2016	0.0	18.4	8	32.0	48,248	90.6
Totals						
2015	100.0	100.0	24	100.0	32,117	100.0
2016	100.0	100.0	25	100.0	53,268	100.0
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### **Innovative and Flexible Lending**

The bank makes limited use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The programs offered in the Manchester-Nashua MSA are the same as discussed in the overall evaluation, except for the programs specific to the States of MA and RI. Please refer to the Innovative and Flexible Lending section under the overall Lending Test for examples.

### **Community Development Lending**

The bank made an adequate level of community development loans in the Manchester-Nashua MSA. Eastern Bank originated one community development loan totaling approximately \$650,000 in this area. In addition, Eastern Bank originated one loan totaling \$1.0 million that benefited the entire State of NH and the bank originated one loan totaling \$15.0 million that benefited the broader regional area including the Manchester-Nashua MSA. Please refer to the Community Development Lending section under the overall Lending Test for examples.

## **INVESTMENT TEST**

### **Investment Activity**

The bank has a good level of qualified community development investments and grants in the Manchester-Nashua MSA.

Qualified investments total approximately \$9.2 million and benefit the Manchester-Nashua MSA and a broader statewide regional area. Qualified grants total approximately \$1.0 million. Overall, investment activity account for approximately 4.0 percent of the overall total investments. Please refer to the Investment Activity section under the overall Investment Test for examples.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits good responsiveness to credit and community development needs in this area. Please refer to the Responsiveness to Credit and Community Development Needs section under the overall Investment Test for further details.

### **Innovativeness or Complexity of Qualified Investments**

Eastern Bank makes occasional use of innovative and/or complex investments. Please refer to the Innovativeness or Complexity of Qualified Investments section under the overall Investment Test for further details.

## **SERVICE TEST**

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. Eastern Bank operates three branches throughout this area.

### **Changes in Branch Locations**

The extent changes have been made, the institutions record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

### **Reasonableness of Business Hours and Services**

Services, including business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. For details, please refer to the Reasonableness of Business Hours and Services under the overall Service Test section.



### **Community Development Service**

The bank provides a relatively high level of community development services. There were 1,000 service related hours to this portion of the assessment area. The service hours equate to 8.5 percent of all community development service hours. The bank's emphasis on commercial lending and economic development within the Manchester-Nashua MSA is comparable to the focus in outreach activities to organizations that provide financial or technical assistance to small businesses. The bank is involved with organizations such as Capital Regional Development Council and Regional Economic Development Council. These organizations offer non-traditional business financing and technical assistance. The community contact highlighted this type of assistance. Eastern Bank's participation with these organizations creates further opportunities for involvement and responsiveness to economic development. Refer to the Community Development Services factor under the overall Service Test section for highlights of activity within the Manchester-Nashua MSA.

## NON-METROPOLITAN STATEWIDE AREA

(Full-Scope Review)

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-METROPOLITAN STATEWIDE AREA

#### Economic and Demographic Information

The bank operates 1, or 1.1 percent, of its 93 full-service branches in this area. This area consists of Boscawen, Bow, Canterbury, Chichester, Concord, Hooksett, Hopkinton, Loudon, Pembroke, and Warner. The following table summarizes pertinent demographic information concerning this assessment area.

Demographic Information of the Assessment Area Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	0.0	8.3	54.2	37.5	0.0
Population by Geography	95,231	0.0	7.4	54.5	38.1	0.0
Housing Units by Geography	40,150	0.0	9.2	55.1	35.7	0.0
Owner-Occupied Units by Geography	26,524	0.0	2.8	52.6	44.6	0.0
Occupied Rental Units by Geography	11,361	0.0	24.0	59.8	16.2	0.0
Vacant Units by Geography	2,265	0.0	10.1	60.1	29.8	0.0
Businesses by Geography	7,996	0.0	7.9	56.7	35.4	0.0
Farms by Geography	265	0.0	1.9	50.9	47.2	0.0
Family Distribution by Income Level	25,022	14.1	15.4	21.9	48.6	0.0
Household Distribution by Income Level	37,885	17.9	15.2	17.6	49.3	0.0
Median Family Income Non-MSAs - NH		\$66,238	Median Housing Value Median Gross Rent Families Below Poverty Level			\$247,751 \$937 4.8%
Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

Based on 2010 U.S. Census data, the population of this area was 95,231, including 25,022 families. There are 40,150 housing units, of which 66.1 percent are owner-occupied, with a median housing value of \$247,751. There are no low-income tracts and 2.8 percent of owner-occupied housing units are located in moderate-income census tracts. The distribution of families by income level is 14.1 percent low-income; 15.4 percent moderate-income; 21.9 percent middle-income; and, 48.6 percent upper-income. Furthermore, 4.8 percent of the families are below poverty level and 7,996 businesses operated in this this area in 2016.

According to Moody's Analytics, the unemployment rate for Merrimack County declined over the evaluation period, however it generally exceeded the national and State of NH unemployment rates. Additionally, the top industries include education and health, professional and business services, and retail trade.

The 2015 and 2016 FFIEC median family income estimates for the Non-MSA determine borrower income levels. The following table defines these estimates.

<b>Median Family Income Ranges Non-MSA</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>NH NA Median Family Income (99999)</b>				
2015 (\$71,600)	<\$35,800	\$35,800 to <\$57,280	\$57,280 to <\$85,920	≥\$85,920
2016 (\$71,400)	<\$35,700	\$35,700 to <\$57,120	\$57,120 to <\$85,680	≥\$85,680
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

## **Competition**

In addition to the demographic composition and economic environment of the area, competition from other financial intermediaries is also a significant performance context factor. As of June 30, 2017, 15 FDIC-insured institutions operating 37 offices were located within the area. The bank ranked 10<sup>th</sup> in total deposits with a 1.4 percent market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-METROPOLITAN STATEWIDE AREA**

### **LENDING TEST**

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the Non-MSA assessment area credit needs, considering the performance context and competition. During 2015 and 2016, Eastern Bank reported 85 small business loans totaling approximately \$28.5 million, and 5 home mortgage loans totaling approximately \$1.5 million inside the NH Non-MSA assessment area. As mentioned previously, not only was Centrix primarily a commercial lender, but Eastern Bank is also new to the area. Further, of the assessment area's total population, only 1.9 percent resides in this area.

In 2015, Eastern Bank ranked 16<sup>th</sup> out of 49 lenders that reported a small business loan in Merrimack County. The bank captured a market share of 1.7 percent by number and 14.7 percent by dollar volume. Eastern Bank earned the second highest market share by dollar amount, outperformed only by TD Bank, N.A. The majority of lenders ranked above Eastern Bank consist of large national banks and credit card lenders. The only regional or state institution to outperform Eastern Bank was Lake Sunapee Bank FSB, ranked 14<sup>th</sup>.

Eastern Bank ranked 14<sup>th</sup> out of 64 lenders that originated or purchased a small business loan in Merrimack County in 2016. The bank held a 1.7 percent market share by number and 14.0 percent market share by dollar volume. Eastern Bank maintained the second highest market share by dollar volume. Top ranked lenders include large national credit companies, including American Express,

FSB; Citibank, N.A.; and TD Bank, N.A. Eastern Bank was the second highest ranked state or regional institution; Lake Sunapee Bank FSB ranked 12<sup>th</sup>.

The bank ranked 164<sup>th</sup> out of 176 lenders that reported a home mortgage loan in the Non-MSA assessment area in 2015. Fifty-two of these lenders reported a single loan. Top ranked lenders in the area include mortgage companies, large national banks, and regional and state financial institutions. Regency Mortgage Corporation ranked 1<sup>st</sup>, with a market share of 10.6 percent; Merrimack County Savings Bank ranked 2<sup>nd</sup>, with a market share of 8.8 percent; and Wells Fargo Bank, NA ranked 3<sup>rd</sup>, with a market share of 8.7 percent.

In 2016, Eastern Bank ranked 79<sup>th</sup> out of 196 lenders that reported a home mortgage loan in this assessment area. The bank had a 0.1 percent market share by number and 0.2 percent market share by dollar volume. The highest ranked reporters consist of state and regional financial institutions, large national banks, and mortgage companies. These include Wells Fargo Bank, NA; Regency Mortgage Corporation; Merrimack County Savings Bank; and Merrimack Mortgage Company LLC.

### **Geographic Distribution**

The geographic distribution of loans reflects poor penetration throughout the assessment area. The bank's poor performance of small business lending and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects poor penetration throughout the Non-MSA assessment area. The bank's 2015 performance within the moderate-income census tracts was below aggregate performance and demographics. Eastern Bank ranked 12<sup>th</sup> out of 24 lenders that reported small business lending in moderate-income census tracts in Merrimack County in 2015, with a 1.0 percent market share. The Bank of New Hampshire was the top lender, with 33 loans and a 16.2 percent market share. The majority of lenders ranked above Eastern Bank consist of large national banks and credit card lenders, including Capital One Bank (USA), N.A.; Citibank, N.A.; and American Express, FSB.

In 2016, Eastern Bank did not report any small business loans in moderate-income census tracts in Merrimack County. In 2016, 26 lenders reported 175 loans in moderate-income census tracts in Merrimack County in 2016. The majority of lenders that reported loans are national credit card lenders, as well as some large state financial institutions. American Express, FSB; Citibank, N.A.; and Bank of New Hampshire comprised the top three lenders, accounting for a combined 43.3 percent market share.

Geographic Distribution of Small Business Loans						
Non-MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2015	7.3	9.0	1	2.4	600	4.1
2016	7.9	7.0	0	0.0	0	0.0
Middle						
2015	56.8	48.6	19	46.3	7,876	53.7
2016	56.7	52.7	28	63.6	8,974	65.0
Upper						
2015	36.0	42.5	21	51.2	6,180	42.2
2016	35.4	40.3	16	36.4	4,830	35.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>14,656</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>44</b>	<b>100.0</b>	<b>13,804</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor penetration throughout the Non-MSA assessment area, particularly in moderate-income geographies in the assessment area. Eastern Bank did not report any home mortgage loans in moderate-income census tracts in this assessment area in 2015 or 2016. In 2015, 31 lenders reported 93 home mortgage loans in moderate-income census tracts in the assessment area, indicating limited lending opportunities. Only the top 16 lenders reported more than one home mortgage loan. The highest ranked lenders include state-chartered financial institutions, mortgage companies, and large national banks. The top three lenders, Merrimack County Savings Bank, Regency Mortgage Corporation, and JP Morgan Chase Bank, NA, held a combined 38.7 percent market share.

In 2016, 40 lenders reported 87 home mortgage loans in moderate-income census tracts. The lenders consisted primarily of mortgage companies, regional credit unions, large national banks, and some local financial institutions. A majority of the lenders reported a single home mortgage loan. Regency Mortgage Corporation; Residential Mortgage Services; and Wells Fargo Bank, NA were the top three reporters, capturing a combined 28.7 percent market share.

Geographic Distribution of Home Mortgage Loans						
Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2015	2.8	3.2	0	0.0	0	0.0
2016	2.8	2.7	0	0.0	0	0.0
Middle						
2015	52.6	49.9	0	0.0	0	0.0
2016	52.6	51.5	2	50.0	925	64.2
Upper						
2015	44.6	46.9	1	100.0	80	100.0
2016	44.6	45.8	2	50.0	515	35.8
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>80</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>1,440</b>	<b>100.0</b>
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## **Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the Non-MSA area. The bank's adequate performance of small business lending and poor performance of home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to business with GARs of \$1 million or less and of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of small business loans reflects adequate penetration of loans to businesses with GARs of \$1 million or less. In 2015, lending to businesses with GARs of \$1 million or less was below aggregate performance and demographics. However, Eastern Bank ranked 12<sup>th</sup> out of 33 lenders that reported a loan to a businesses with GARs of \$1 million or less in Merrimack County in 2015, with a 1.1 percent market share. The only regional financial institution to outperform Eastern Bank was Lake Sunapee Bank, FSB, ranked 9<sup>th</sup>. Large banks that operate nationally comprise the remaining lenders ranked above Eastern Bank. These include Citibank, N.A.; Bank of America, N.A.; and Branch Banking and Trust Company.

In 2016, lending to businesses with GARs of \$1 million or less improved, but remained below aggregate performance and demographic data. The bank held a market share of 1.1 percent, ranking 12<sup>th</sup> out of 29 lenders that reported a small business loan to a business with GARs of \$1 million or less in Merrimack County in 2016. Lake Sunapee Bank FSB was the only regional institution to outperform Eastern Bank, ranking 8<sup>th</sup>. Other top lenders include credit card lenders

and large national banks. American Express; FSB; Citibank, N.A.; and Capital One Bank (USA), N.A. were the top three lenders, capturing a combined 58.7 percent market share.

Of the 367,789 businesses in the combined assessment area, only 2.2 percent are in the Non-MSA. It is also important to note that aggregate data for small business lending represents the full county; whereas, Eastern Bank only operates in 10 towns of the full county. Considering these factors and the bank's recent expansion into the area, the bank's lending reflects adequate penetration.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Non-MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2015	74.4	38.1	8	19.5	2,045	14.0
2016	77.9	39.0	11	25.0	1,379	10.0
<b>&gt;\$1,000,000</b>						
2015	6.0	--	27	65.9	11,941	81.5
2016	7.3	--	25	56.8	11,215	81.2
<b>Revenue Not Available</b>						
2015	19.5	--	6	14.6	670	4.6
2016	14.8	--	8	18.2	1,210	8.8
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>14,656</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>44</b>	<b>100.0</b>	<b>13,804</b>	<b>100.0</b>
Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 & 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects poor penetration. Eastern Bank did not report any home mortgage loans to low-income or moderate-income borrowers in 2015 and 2016.

In 2015, 31 lenders reported 77 home mortgage loans to low-income borrowers. The majority of these lenders reported a single home mortgage loan. The top ranked lender was Regency Mortgage Corporation, with 11 loans for a 14.3 percent market share, followed by Wells Fargo Bank, NA and Merrimack County Savings Bank, each with 9 loans for an 11.7 percent market share. This activity level indicates limited opportunities and demand for home mortgage lending among low-income borrowers, particularly as Eastern Bank was new to the assessment area in 2015.

Home mortgage activity was similar in 2016, with 29 lenders reporting 71 loans. Only the top nine lenders reported more than two home mortgage loans. Mortgage companies comprised the

majority of lenders. These include Regency Mortgage Corporation, ranked 2<sup>nd</sup>; Quicken Loans, ranked 3<sup>rd</sup>; and Residential Mortgage Services, ranked 4<sup>th</sup>. Merrimack County Savings Bank was the highest ranked state-chartered institution, ranking 5<sup>th</sup> with 5 loans for a 7.0 percent market share.

In 2015, 75 lenders reported 427 home mortgage loans to moderate-income borrowers. Reporters include mortgage companies, large national banks, and state-chartered institutions. Residential Mortgage Services, Regency Mortgage Corporation, and Wells Fargo Bank, NA were the top three home mortgage lenders in 2015, combining for a market share of 33.0 percent.

Home mortgage lending activity to moderate-income borrowers remained consistent in 2016. Of the lenders, 73 reported 431 home mortgage loans to moderate-income borrowers. A majority of lenders reported less than three loans. The top ranked lenders consisted primarily of mortgage companies, as well as some large national banks and state and regional institutions. The top three lenders in the assessment area did not change from 2015.



Distribution of Home Mortgage Loans by Borrower Income Level						
Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	14.1	2.7	0	0.0	0	0.0
2016	14.1	2.2	0	0.0	0	0.0
Moderate						
2015	15.4	14.7	0	0.0	0	0.0
2016	15.4	13.4	0	0.0	0	0.0
Middle						
2015	21.9	24.7	0	0.0	0	0.0
2016	21.9	23.1	0	0.0	0	0.0
Upper						
2015	48.6	39.3	1	100.0	80	100.0
2016	48.6	44.6	2	50.0	515	35.8
Not Available						
2015	0.0	18.6	0	0.0	0	0.0
2016	0.0	16.6	2	50.0	925	64.2
Totals						
2015	100.0	100.0	1	100.0	80	100.0
2016	100.0	100.0	4	100.0	1,440	100.0
Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### **Innovative and Flexible Lending**

The bank makes limited use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The programs offered in the Non-MSA are the same as discussed in the overall evaluation, except for the state programs specific to the States of MA and RI. Please refer to the Innovative and Flexible Lending section under the overall Lending Test for examples.

### **Community Development Lending**

The bank made an adequate level of community development loans in the Non-MSA. Eastern Bank originated one community development loan totaling approximately \$2.0 million in this area. In addition, the bank originated one loan totaling \$1.0 million that benefited the entire State of NH and one loan totaling \$15.0 million that benefited the broader regional area including the NH assessment areas. Please refer to the Community Development Lending section under the overall Lending Test for examples.

## **INVESTMENT TEST**

### **Investment Activity**

The bank made an adequate level of qualified community development investments and grants in this assessment area.

Eastern Bank maintains two prior period investments that benefit a statewide regional area including the Non-MSA assessment area totaling \$3.7 million. The bank has one additional prior period investment directly benefiting the Non-MSA totaling \$81,668 which promotes affordable housing. Grants totaled approximately \$376,000 during the evaluation period.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits adequate responsiveness to credit and community development needs in this area. Grant activity in this assessment area supports community development services and economic development. Please refer to the Responsiveness to Credit and Community Development Needs section under the overall Investment Test for further details.

### **Innovativeness or Complexity of Qualified Investments**

Eastern Bank makes occasional use innovative and/or complex investments. Please refer to the Innovativeness or Complexity of Qualified Investments section under the overall Investment Test for further details.

## **SERVICE TEST**

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. Eastern Bank operates one branch throughout this area.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

### **Reasonableness of Business Hours and Services**

Services, including business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. For details, please refer to the Reasonableness of Business Hours and Services under the overall Service Test.

### **Community Development Service**

The bank provides an adequate level of community development services. The bank's 469 service-related hours focus on commercial lending and economic development. This activity is consistent with the trend in outreach activities to assist small businesses. These organizations offer non-traditional business financing and technical assistance. The community contact highlighted this type of assistance as a need. Eastern Bank's participation with these organizations creates further opportunities for involvement and responsiveness to economic development within the assessment area. Refer to the Community Development Services section under the overall Service Test for highlights of activity within the Non-MSA assessment area.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## APPENDIX

### SCOPE OF EVALUATION

SCOPE OF EVALUATION			
<b>TIME PERIOD REVIEWED</b>	September 15, 2014 – January 22, 2018		
<b>FINANCIAL INSTITUTION</b>	Eastern Bank		
<b>PRODUCTS REVIEWED:</b>			
<ul style="list-style-type: none"> <li>Small business and home mortgage loans originated in 2015 and 2016.</li> </ul>			

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Combined Assessment Area	Full-scope	None	None
Boston-Cambridge-Newton, MA-NH MSA	Full-scope	None	None
Barnstable Town, MA MSA	Full-scope	None	None
Providence-Warwick, RI-MA MSA	Limited-scope	None	None
Manchester-Nashua, NH MSA	Full-scope	None	None
Non-MSA	Full-scope	None	None

### SUMMARY OF STATE AND MULTISTATE METROPOLITAN AREA RATINGS

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
Boston-Cambridge-Newton, MA-NH MSA	Outstanding	Outstanding	Outstanding	Outstanding
Massachusetts	High Satisfactory	Satisfactory	Satisfactory	Satisfactory
New Hampshire	Satisfactory	High Satisfactory	High Satisfactory	Satisfactory

### FAIR LENDING POLICIES AND PROCEDURES

Please note any comments regarding the institution's fair lending policies and procedures in narrative form (Regulatory Bulletin 1.3-106).

## MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2015 and 2016 Massachusetts HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected assessment area's demographics. The comparison assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Examiners considered applications and originations extended within Massachusetts. This data does not reflect bank or aggregate lending in the NH census tracts.

According to the 2010 U.S. Census data, the bank's assessment area contained 4,217,956 individuals of which 23.9 percent are minorities. The assessment area's minority and ethnic population is 7.9 percent Black/African American, 7.5 percent Asian, 0.1 percent American Indian, 10.6 percent Hispanic or Latino, and 2.7 percent other.

In 2015, the bank received 3,448 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 528 or 15.3 percent from minority applicants and 60.8 percent resulted in originations.

In 2016, the bank received 3,638 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 563 or 15.4 percent from minority applicants, and 63 percent resulted in originations. Examiners compared this to aggregate whereby the bank received 18.2 percent of applications from minority applicants and 65.3 percent resulted in originations.

Overall, the minority application flow is reasonable. Please refer to the following table.

MINORITY APPLICATION FLOW					
RACE	Bank 2015		2016 Aggregate Data	Bank 2016	
	#	%		#	%
American Indian/ Alaska Native	7	0.2	0.2	2	0.1
Asian	151	4.4	6.4	143	3.9
Black/ African American	100	2.9	4.2	153	4.2
Hawaiian/Pacific Islander	11	0.3	0.2	8	0.2
2 or more Minority	1	0.0	0.1	1	0.0
Joint Race (White/Minority)	63	1.8	1.4	63	1.7
<b>Total Minority</b>	<b>333</b>	<b>9.6</b>	<b>12.5</b>	<b>370</b>	<b>10.1</b>
White	2,814	81.7	66.7	2,914	80.1
Race Not Available	301	8.7	20.8	354	9.8
<b>Total</b>	<b>3,448</b>	<b>100.0</b>	<b>100.0</b>	<b>3,638</b>	<b>100.0</b>
ETHNICITY					
Hispanic or Latino	157	4.6	4.6	143	3.9
Not Hispanic or Latino	2,940	85.2	73.9	3,095	85.1
Joint (Hisp/Lat /Not Hisp/Lat)	38	1.1	1.1	50	1.4
Ethnicity Not Available	313	9.1	20.4	350	9.6
<b>Total</b>	<b>3,448</b>	<b>100.0</b>	<b>100.0</b>	<b>3,638</b>	<b>100.0</b>

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Areas (CBSAs):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,
- (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.



**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.