

PUBLIC DISCLOSURE

June 19, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

East Boston Savings Bank
Certificate Number: 33510

10 Meridian Street
Boston, Massachusetts 02128

Division of Banks
1000 Washington Street, 10th 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.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory** by the Division of Banks (Division) and the Federal Deposit Insurance Corporation. An institution in this group has a satisfactory record of helping meet the credit needs of its assessment area (AA), 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			
High Satisfactory	X		X
Satisfactory**		X	
Needs to Improve			
Substantial Non-Compliance			

* 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 High Satisfactory.

- Lending reflects good responsiveness to AA credit needs.
- East Boston Savings Bank originated an adequate percentage of loans in the AA.
- The geographic distribution of loans reflects good penetration dispersion throughout the AA.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business of different sizes.
- The institution uses innovative and flexible lending practices in order to serve AA credit needs.

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

The Investment Test is rated Satisfactory.

- The institution has an adequate level of qualified community development investments and grants.
- The bank exhibits adequate responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative and complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- The bank's delivery systems are accessible to essentially all portions of the institution's AA.
- Changes in branch locations did not adversely affect the accessibility of delivery systems, particularly to low- and moderate-income individuals and geographies.
- Services do not vary in a way that inconveniences portions of the AA, particularly low- and moderate- income geographies and individuals.
- The institution provides an adequate level of community development services.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 7, 2014, to the current evaluation dated June 19, 2017. Examiners used Interagency Large Institution Examination Procedures to evaluate East Boston Savings Bank's (EBSB) 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 the following criteria.

- 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 home mortgage and commercial real estate loans. This conclusion considered the number and dollar volume of loans originated during the evaluation period and the bank's business strategy. The CRA requires that large institutions collect and report small business lending data. Therefore, this evaluation considered home mortgage and small business lending data.

Examiners weighed home mortgage and small business loans equally. Examiners did not consider other product lines such as small farm loans, consumer loans, and other loan types due to low origination volume and the overall small portion of the loan portfolio represented by these loan types. Therefore, they provided no material support for conclusions or ratings and they are not presented.

This evaluation presents information for 2015, the most recent year for which aggregate data is available, and 2016 data for trends, for both Home Mortgage Disclosure Act (HMDA) and small business loans. This evaluation considered all home mortgage entries on the bank's 2015 and 2016 HMDA Loan Application Registers (LARs). In 2015, the bank reported 553 originated loans totaling \$536.9 million. In 2016, the bank reported 596 loans totaling \$578.4 million. The evaluation also considered small business loans reported on the bank's 2015 and 2016 CRA Loan Registers. In 2015, the bank reported 94 small business loans totaling \$34.6 million. In 2016, the bank reported 75 loans totaling \$32.0 million.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans. The number of loans is a better indicator of the number of businesses and individuals served. The geographic distribution and borrower profile criteria only include analysis of loans extended within the bank's AA.

Examiners reviewed community development loans, investments and services, as well as innovative and/or flexible lending practices from the prior evaluation date of April 7, 2014, through the current evaluation date of June 19, 2017.

DESCRIPTION OF INSTITUTION

Background

EBSB's main office is located at 10 Meridian Street, East Boston, Massachusetts (MA) and the bank operates in the eastern part of Massachusetts. More specifically, it operates in Essex, Middlesex, Norfolk, and Suffolk counties. EBSB's corporate offices are located at 67 Prospect Street in Peabody, Massachusetts. EBSB is a wholly owned subsidiary of Meridian Bancorp, Inc. The bank's subsidiaries include Prospect, Inc., which engages in securities transactions on its own behalf; EBOSCO, LLC and Berkeley Riverbend Estates LLC, both of which can hold foreclosed real estate; and East Boston Investment Services, Inc., which is authorized for third-party investment sales and is currently inactive.

The bank operates a full-service mobile branch that operates throughout the AA. The mobile branch serves the elderly and other populations that have limited mobility or means to visit the branches. Please refer to Alternative Delivery Systems under the Service Test for more information.

The bank received a "Satisfactory" rating from the Division and FDIC during its prior joint evaluation using Interagency Large Institution Examination Procedures.

Operations

In addition to the main office in Boston, the bank operates 30 full service brick and mortar branches throughout the AA, and 1 mobile branch. The branches are located in Allston, Belmont, two in Boston, two in Brookline, Cambridge, Danvers, three in Dorchester, two in East Boston, Everett, Jamaica Plain, Lynn, Medford, Melrose, Peabody, two in Revere, two in Saugus, Somerville, three in South Boston, Wakefield, West Roxbury, and Winthrop. The mobile branch is located in Peabody, but serves the entire greater Boston area. The bank also offers seven stand-alone automated teller machines (ATMs) in Dorchester, East Boston, Malden, Medford, Saugus, South Boston, and Winthrop.

EBSB emphasizes commercial banking and offers a variety of products and services including commercial, home mortgage, and consumer loans. Business lending includes commercial real estate loans, construction loans, term loans, Small Business Administration loans, commercial lines of credits, and equipment loans. Consumer lending products including home mortgage loans, home equity lines of credit, auto loans, credit builder installment loans, and reverse mortgages. Consumer deposit services include various checking, savings, money market deposit accounts, certificates of deposit, and individual retirement account savings. The bank also offers investments and insurance services and products. Alternative banking services include online bill pay, mobile banking deposit, business online banking and bill pay, and business mobile banking and deposits.

Ability and Capacity

As of March 31, 2017, the bank had total assets of \$4.6 billion, which included total loans of \$4.0 billion or 89.3 percent of total assets. The bank's net loan-to-deposit ratio, as of the same date, was 109.0 percent. Since the previous evaluation, the bank's assets increased significantly from \$2.7 billion to their current level of \$4.6 billion or 70.4 percent .

EBSB continues to be primarily a commercial lender. Loans secured by commercial properties and commercial and industrial loans represent approximately 49.0 percent of the loan portfolio. Loans secured by 1-4 and multi-family residential properties represent 28.8 percent. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 3/31/17		
Loan Category	\$(000s)	%
Construction and Land Development	601,941	14.8
Secured by Farmland	0	0.0
1-4 Family Residential	582,675	14.3
Multi-family (5 or more) Residential	587,180	14.5
Commercial Real Estate	1,853,631	45.6
Total Real Estate Loans	3,625,427	89.2
Commercial and Industrial	137,677	3.4
Agricultural	0	0.0
Consumer	9,709	0.2
Other	290,976	7.2
Less: Unearned Income	0	0.0
Total Loans	4,063,789	100.0
<i>Source: Reports of Condition and Income</i>		

There were no significant financial or legal impediments identified that would limit the bank's ability to help meet the AA's credit or community development needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank has one contiguous AA, which meets the technical requirements of the regulation.

Economic and Demographic Data

The AA includes 358 census tracts located in Essex, Middlesex, Norfolk, and Suffolk Counties in MA.

Assessment Area Cities and Towns	
Essex County, MA	
Danvers	Lynn
Lynnfield	Peabody
Saugus	
Middlesex County, MA	
Belmont	Cambridge
Everett	Malden
Medford	Melrose
Somerville	Wakefield
Norfolk County, MA	
Brookline*	
Suffolk County, MA	
Boston	Chelsea
Revere	Winthrop

* Added in May 2015

The cities and towns in Essex and Middlesex Counties are located in the Cambridge-Newton-Framingham, MA Metropolitan District (MD) (15764). The cities and towns in Norfolk and Suffolk Counties are located in the Boston, MA MD (14454). Both MDs are part of the greater Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA) (14460). The bank does not have any branches outside of the Boston-Cambridge-Newton, MA-NH MSA (14460).

The 358 census tracts reflect the following income designations according to the 2010 U.S. Census:

- 69 low-income tracts,
- 104 moderate-income tracts,
- 103 middle-income tracts,
- 70 upper-income tracts, and
- 12 census tract with no income designation.

The following areas have concentrated numbers of low- and moderate-income census tracts: Allston/Brighton, Cambridge, Chelsea, Dorchester, East Boston, Everett, Fenway, Jamaica Plain, Lynn, Malden, Mattapan, Mission Hill, Revere, Roxbury, Somerville, and the South End. The census tracts with no income designation are Harbor Islands, Franklin Park Zoo, Stony Brook Reservation, Arnold Arboretum, Forest Hills Cemetery, Castle Island, Seaport Waterfront area, Boston Logan Airport, Charles River, Suffolk Downs, Belle Isle Marsh Reservation, Boston

Commons, Muddy River, and the water surrounding the landforms and islands off the Boston Coast.

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	358	19.3	29.1	28.8	19.6	3.4
Population by Geography	1,401,902	18.2	31.8	31.6	18.3	0.1
Housing Units by Geography	603,457	16.4	30.7	32.6	20.3	0.0
Owner-Occupied Units by Geography	243,984	8.0	26.6	40.1	25.2	0.0
Occupied Rental Units by Geography	312,860	22.6	33.8	27.2	16.5	0.0
Vacant Units by Geography	46,613	19.3	31.6	29.4	19.7	0.0
Businesses by Geography	99,258	12.8	21.8	26.8	38.0	0.6
Family Distribution by Income Level	294,926	32.3	17.5	18.8	31.4	0.0
Median Family Income MSA - 14454 Boston, MA MD (2016)		\$90,800	Median Housing Value			\$424,933
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD (2016)		\$98,600	Median Gross Rent			\$1,205
			Families Below Poverty Level			11.5%
<i>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.</i>						

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

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
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
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
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
<i>Source: FFIEC</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Only 8.0 percent of owner-occupied housing units in the overall AA are located in low-income census tracts and 26.6 percent are located in moderate-income census tracts. U.S. Bureau of Labor and Statistics data indicated that as of March 2017, the MA seasonally adjusted unemployment rate was 3.9 percent. The unemployment rate has decreased throughout the evaluation period, from a high of 5.2 percent in June 2014.

According to the 2016 D&B data, there were 99,258 businesses in the AA. Gross annual revenues (GARs) for these businesses are as follows:

- 82.1 percent have \$1 million or less
- 7.7 percent have more than \$1 million
- 10.2 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 that the majority of businesses in the AA are small businesses with four or fewer employees. Specifically, 69.0 percent have four or fewer employees and 87.6 percent operate from a single location. Service industries represent the largest portion of businesses at 48.9 percent; followed by retail trade at 13.4 percent; finance, insurance, and real estate at 12.0 percent; and non-classifiable establishments at 8.8 percent.

Competition

The AA is highly competitive for financial services. According to 2016 Peer Deposit Data, 61 financial institutions operated 435 full-service branches within the AA. Of those institutions, EBSB ranked 9th with a 1.4 percent deposit market share. The top three depository institutions make up 72.7 percent of deposit market share.

There is also a high competition level for home mortgage loans in the AA. In 2015, the bank ranked 24th out of 502 lenders with a 0.9 percent market share. The majority of financial institutions ranking ahead of EBSB were large national banks or mortgage companies.

There is also a high competition level for small business loans among several banks, credit unions, and non-depository lenders. In 2015, the bank ranked 42nd out of 163 lenders, with a 0.1 percent market share. The top five lenders accounted for 64.2 percent of total market share by number, but only 24.3 percent by dollar. This is mainly due to these institutions offering business credit cards.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA 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 what credit and community development opportunities are available.

Examiners completed a number of community contacts in Boston and in surrounding cities and towns. These organizations included two community development organizations, a neighborhood development corporation, and a community action agency. These contacts cited a significant need for affordable housing and opportunities for financial institutions to provide financing for new multi-family developments with affordable housing units. Additionally, certain contacts cited a need for economic development. Overall, the contacts indicated that financial institutions have been responsive to the area's credit and community development needs.

The community contacts indicated a need for low-fee checking accounts. A large population of the AA is unbanked because of the high fees associated with checking accounts. Many customers do not consistently maintain the required balance to avoid monthly maintenance fees. Free checking accounts would help increase the percentage of banked people in the AA's lower-income areas.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, management, and demographic and economic data, examiners determined that loans for affordable housing represent a primary credit need for the AA. There has been an increase in multi-family developments in recent years, which require funding. These multi-family developments create more Section 8 housing, which is the primary way in which many low- and moderate-income individuals can afford to live in parts of the AA. One contact stated a credit need for small business loans to help support the economic development of the more underserved communities.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's overall Lending Test performance is rated High Satisfactory. EBSB demonstrated a good performance under the lending test. Geographic Distribution and Community Development Lending performance primarily support this conclusion.

Lending Activity

This performance criterion considers the volume of EBSB's lending in relation to its financial condition and resources. The bank's lending levels reflect good responsiveness to AA credit needs. In 2015 and 2016, EBSB originated 1,149 home mortgage loans totaling approximately \$1.1 billion, and 169 small business loans totaling \$66.6 million. Of this, 762 home mortgage loans, totaling \$776.7 million and 107 small business loans totaling approximately \$41.8 million, were inside the AA.

In 2015, the bank ranked 24th of 502 lenders that reported originating or purchasing at least one home mortgage loan in the AA. The bank captured 0.9 percent by number of the market share and 2.4 percent by dollar volume. Among the higher ranked lenders were larger financial institutions and mortgage companies that operate regionally or nationally, including JPMorgan Chase Bank, NA; Wells Fargo Bank, NA; Loandepot.com, LLC; Guaranteed Rate INC; and Ditech Financial LLC. Leader Bank, Eastern Bank, and Sage Bank ranked higher than EBSB.

In 2015, the bank ranked 42nd of 163 lenders that originated or purchased at least one small business loan in the counties in which the bank designated its AA. The market share was 0.1 percent by number and 1.0 percent by dollar volume. The highest ranked small business lenders were credit card companies, including American Express, FSB; Bank of America, N.A.; Capital One Bank (USA), N.A.; Citibank, N.A.; and Chase Bank USA, NA. Leader Bank, Eastern Bank, and Sage Bank ranked above EBSB. Eastern Bank is much larger in assets than EBSB and both Leader Bank and Sage Bank focus heavily in home mortgage lending.

As of the evaluation date, 2016 market rank information was unavailable.

Assessment Area Concentration

The bank made an adequate percentage of home mortgage and small business loans, by number and dollar volume, within its AA. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2015	372	67.3	181	32.7	553	397,049	74.0	139,850	26.0	536,899
2016	390	65.4	206	34.6	596	379,657	65.6	198,745	34.4	578,402
Subtotal	762	66.3	387	33.7	1,149	776,706	69.6	338,595	30.4	1,115,301
Small Business										
2015	64	68.1	30	31.9	94	22,936	66.3	11,667	33.7	34,603
2016	43	57.3	32	42.7	75	18,822	58.9	13,144	41.1	31,966
Subtotal	107	63.3	62	36.7	169	41,758	62.7	24,811	37.3	66,569
Total	869	65.9	449	34.1	1,318	818,464	69.3	363,406	30.7	1,181,870
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2016 Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good dispersion throughout the AA. Examiners focused on the comparison to 2015 aggregate data and considered trends based on 2016 data and comparisons to demographic data. The following table shows that the bank's performance of lending in low-income tracts in 2015 exceeded aggregate. The bank's lending in low-income census tracts also increased by number and overall percentage in 2016. The bank's lending in low-income census tracts also exceeded the percentage of owner-occupied housing in low-income census tracts in 2015 and 2016. In 2015, the bank's performance of lending in moderate-income tracts slightly exceeded aggregate. The bank also increased its lending in moderate-income tracts in 2016. Lending in moderate-income census tracts also exceeded the percentage of owner-occupied housing in moderate-income census tracts in 2015 and 2016.

Market share data further supported the bank's good performance. In 2015, the bank ranked 22nd of 310 lenders in originating loans to low-income census tracts with a 1.3 percent market share. The bank ranked 26th of 380 lenders, with a 1.0 percent market share, in lending to moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	8.0	9.4	48	12.9	77,875	19.6
2016	8.0	--	58	14.9	100,467	26.5
Moderate						
2015	26.6	26.2	103	27.7	118,079	29.7
2016	26.6	--	113	29.0	82,285	21.7
Middle						
2015	40.1	38.9	149	40.1	73,470	18.5
2016	40.1	--	130	33.3	55,676	14.7
Upper						
2015	25.2	25.4	72	19.4	127,625	32.1
2016	25.2	--	89	22.8	141,229	37.2
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	372	100.0	397,049	100.0
2016	100.0	--	390	100.0	379,657	100.0

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

Small Business Loans

The geographic distribution of small business loans reflects good dispersion throughout the AA. Examiners focused on comparison to aggregate data. In 2015, the bank's performance in low-income census tracts exceeded aggregate. Additionally, the bank increased lending in low-income census tracts in 2016 by 4.5 percentage points. Lending in the low-income census tracts also exceeded the percentage of businesses in low-income census tracts in 2015 and 2016. The bank's level of lending in moderate-income areas in 2016 significantly exceeded aggregate, at 11.2 percentage points higher. The bank slightly increased lending in moderate-income census tracts in 2016 by 0.5 percentage points. Lending in moderate-income census tracts exceeded the percentage of businesses in moderate-income census tracts in 2015 and 2016.

Market share data further supported the bank's good performance. In 2015, the bank ranked 26th out of 76 lenders in originating loans in low-income census tracts, with a 0.2 percent market share. The bank ranked 29th out of 86 lenders in originating loans in moderate-income census tracts, with a 0.2 percent market share. In both low- and moderate-income census tracts, the bank outperformed its overall market share position of 42nd.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	12.8	11.3	9	14.1	2,730	11.9
2016	12.8	--	8	18.6	4,158	22.1
Moderate						
2015	22.1	23.2	22	34.4	8,084	35.2
2016	21.8	--	15	34.9	7,058	37.5
Middle						
2015	27.0	29.9	19	29.7	6,284	27.4
2016	26.8	--	14	32.6	5,314	28.2
Upper						
2015	37.4	34.7	13	20.3	5,738	25.0
2016	38.0	--	5	11.6	2,092	11.1
Not Available						
2015	0.6	0.8	1	1.6	100	0.4
2016	0.6	--	1	2.3	200	1.1
Totals						
2015	100.0	100.0	64	100.0	22,936	100.0
2016	100.0	--	43	100.0	18,822	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the AA. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and percentage of small businesses loans with GARs of \$1 million or less.

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 and considered trends based on 2016 data and comparisons to demographic data.

In 2015, the bank's lending to low-income borrowers, at 3.5 percent, was similar to aggregate at 3.8 percent. Although the bank's performance is substantially below the 32.3 percent of low-income families, it is important to note that a low-income family in the AA, with an average income of less than \$47,350, would not likely qualify for a mortgage under the conventional

underwriting standards, especially considering the median housing value of \$424,933. Therefore, the demand and opportunity for lending to low-income families is relatively limited. Lending to low-income borrowers remained consistent in 2016.

Lending to moderate-income borrowers in 2015, at 16.9 percent, exceeded aggregate of 15.1 percent and is similar to demographic data. Lending to moderate-income individuals decreased slightly in 2016. The bank indicated that rising real estate prices has made it more difficult for moderate-income borrowers to have a debt-to-income ratio under 45.0 percent and qualify for loans. Market share data further supported the bank's adequate performance. In 2015, the bank ranked 26th in lending to low-income borrowers with a 0.9 percent market share. The bank ranked 24th in lending to moderate-income borrowers, with a 1.0 market share. The bank's market share performance to low- and moderate-income borrowers is in line with its overall market share of 24th.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	32.3	3.8	13	3.5	2,124	0.5
2016	32.3	--	12	3.1	2,269	0.6
Moderate						
2015	17.5	15.1	63	16.9	14,825	3.7
2016	17.5	--	50	12.8	11,561	3.0
Middle						
2015	18.8	21.9	75	20.2	24,869	6.3
2016	18.8	--	86	22.1	26,716	7.0
Upper						
2015	31.4	39.0	121	32.5	61,696	15.5
2016	31.4	--	144	36.9	68,975	18.2
Not Available						
2015	0.0	20.2	100	26.9	293,535	73.9
2016	0.0	--	98	25.1	270,136	71.2
Totals						
2015	100.0	100.0	372	100.0	397,049	100.0
2016	100.0	--	390	100.0	379,657	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The distribution of small business loans reflects adequate penetration of loans to small businesses. In 2015, the bank made 31.3 percent of its loans to businesses with GARs of \$1 million or less, which was significantly below aggregate. The number of loans made to GARs of \$1 million or less in 2016 increased by 15.2 percent. As this analysis shows, the bank's lending to small businesses is increasing. Additionally, aggregate represents lending in full counties, rather than the bank's actual assessment area which is significantly smaller. Further, the bank's presence in Norfolk County is new and is limited to Brookline. The bank's lending to business with GARs of \$1 million or less was also significantly below the percentage of businesses with GARs of \$1 million or less in 2015 and 2016.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	72.4	48.8	20	31.3	9,736	42.4
2016	82.1	--	20	46.5	10,242	54.4
>\$1,000,000						
2015	6.7	--	44	68.8	13,200	57.6
2016	7.7	--	23	53.5	8,580	45.6
Revenue Not Available						
2015	20.9	--	0	0.0	0	0.0
2016	10.2	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	64	100.0	22,936	100.0
2016	100.0	--	43	100.0	18,822	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending

This criterion includes innovative and flexible lending activities since the prior evaluation, covering the period from April 7, 2014, through June 19, 2017.

The bank uses innovative and flexible lending programs to assist in meeting the AA's credit needs. Programs involve government-related subsidies and guarantees. The bank originated 131 innovative and flexible loans, totaling \$36.3 million, to individuals and businesses during the evaluation period. Of these loans, the bank made \$26.0 million under affordable housing programs and \$10.3 million under small business lending programs. The Federal Home Loan Bank (FHLB) Equity Builder program is new since the last evaluation.

The following highlights the various innovative and flexible loan programs.

- *MassHousing First Time Home Buyer Programs* - The bank offers several first-time homebuyer programs through MassHousing. These loans are fixed-rate portfolio loans to borrowers of modest incomes. During the review period, the bank originated 57 loans under these programs for \$16.2 million.
- *MassHousing Federal Housing Administration (FHA) Loans* - These loans feature a reduced mortgage insurance premium for low- and moderate-income borrowers. During the review period, the bank originated 35 loans for \$9.6 million.
- *City of Boston Financial Assistance Program (Program)*- The Program offers up to 3.0 percent of the purchase price in down payment assistance for the purchase of a 1-3 family home for income-qualified borrowers. Homebuyer counseling is required to qualify for this assistance. Buyers must obtain financing through a participating lender. During the review period, the bank made 13 loans for \$118,543.
- *FHLB Equity Builder* – The Equity Builder Program (EBP) offers members grants to provide to households with incomes at or below 80.0 percent of the area median-income, with down-payment, closing-cost, homebuyer counseling, and rehabilitation assistance. The bank began offering this product in April 2016 and originated 2 loans totaling \$30,000.
- *SBA 7a Loan Programs* - The maximum loan amount is \$5 million and the SBA guarantees 75.0 percent of the value of most loans. The bank originated 18 loans for \$9.1 million.
- *SBA Express Loan Program* - This program offers borrowers an accelerated turnaround time for approval on loan amounts up to \$350,000. The bank provides a response within 36 hours. The SBA provides a maximum guaranty of 50.0 percent. No collateral is required for loans of \$25,000 or less. The bank originated 6 loans for \$1.2 million.

Community Development Lending

The bank's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

EBSB is a leader in making community development loans. The bank originated 81 community development loans, totaling approximately \$169.0 million, during the evaluation period. This is a significant increase from the previous examination, where the bank originated 36 loans totaling \$117.7 million. Current activity level represents 4.9 percent of average total assets and 5.5 percent of average total loans.

Examiners determined that the bank met the AA's overall needs. Therefore, examiners counted community development loan made outside the AA. Of the community development loans, the bank made 55 loans, totaling \$102.0 million inside the AA and 26 community development loans, totaling \$67.0 million outside the AA.

The bank is responsive to the AA’s needs as identified by the community contact. The bank originated an overwhelming majority of its community development loans for affordable housing. The following table details the bank’s community development loans by purpose and year.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2014	10	10,863	2	9,600	0	0	0	0	0	0	12	20,463
2015	20	37,074	5	13,341	0	0	0	0	1	644	26	51,059
2016	32	57,557	4	10,833	1	15,250	0	0	0	0	37	83,640
YTD 2017	3	7,482	3	5,980	0	0	0	0	0	0	6	13,462
Total	65	112,976	14	39,754	1	15,250	0	0	1	644	81	168,624

Source: Bank Records

The following are examples of the bank’s community development loans:

- In 2014, the bank made a \$700,000 loan for the purchase of a 6-unit dwelling in the Mattapan neighborhood of Boston, MA. The borrower maintains an ongoing relationship with a nonprofit agency that provides support to homeless women and families. This nonprofit agency will rent all six units.
- In 2014, the bank made a \$1.6 million loan for the purchase of property in Brighton, MA. The proceeds will be used to develop the property into a 16-bed group home with examination rooms. The loan was made in conjunction with an organization established through the collaboration of clinicians, advocacy groups, community organizers, government agencies, and policy makers to build a statewide network of community health centers in low-income communities. The organization identified the property location as a strong need for a group home that will aid individuals requiring short-term medical care.
- In 2014, the bank made a \$4 million loan to a neighborhood center in Chinatown. The organization helps Asians and other immigrant communities integrate into American society by providing essential services and preserving their cultures. Additionally, the organization provides services that help children, youth, and families achieve greater economic stability. The organization serves primarily low- and moderate-income individuals.
- In 2015, the bank made a \$310,500 loan to a residential rehabilitation and recovery house which services Middlesex and Suffolk Counties. The rehabilitation center offers mental health and substance abuse treatment. The center also offers residential short- and long-term treatment. The organization identified that over 85.0 percent of patients are low-income.
- In 2015, the bank made a \$644,000 loan for the construction of two-2 family homes located in Dorchester, MA through the City of Boston Stabilization Program. The City of Boston’s Department of Neighborhood Development provided the borrower with the land.

- In 2015, the bank made a \$9.0 million loan to a health services agency. The agency provides healthcare to urban Boston neighborhoods, the South Shore, and Cape Cod communities. The agency is a nonprofit organization that provides comprehensive and primary healthcare to medically underserved communities and low- and moderate-income populations.
- In 2016, the bank made 2 loans, totaling \$12.1 million, to a nonprofit senior housing developer. Proceeds will be used to construct an 80-unit senior residence facility in Malden, MA. A portion of the units, 10 of 80, will be designated for residents earning less than 30 percent of the area's median income. The bank received credit for \$1.5 million, the loan portion used to create affordable housing.
- In 2016, the bank made 2 loans, totaling \$13.4 million, to an affordable housing organization. The organization used the proceeds to purchase a land site and is building a housing development with 56 rental units and 15 condominium townhouses. A majority of these units will be designated as affordable housing: 41 of the rental units and 8 of the condominiums.
- In 2016, the bank made 2 loans, totaling \$1.5 million, to a community action organization in Somerville. The organization's mission is to reduce poverty among local families and individuals. The organization will use the proceeds for working capital.
- In 2017, the bank made a loan to a community organization in Somerville, MA. The organization focuses the majority of its resources on sustaining affordability and livability for low-income residents. Additionally, the organization builds affordable rental housing, creates homeownership opportunities, and develops retail spaces to keep Somerville economically diverse.
- In 2017, the bank made 3 loans, totaling \$4.9 million, to a nonprofit organization that provides social services to children and families located in Southeastern, MA. The organization offers over 20 different programs that serve more than 18,000 individuals annually. More than 90 percent of the organization's revenues support low- to moderate-income individuals. Loan proceeds will be used for working capital and to finance capital improvements.

INVESTMENT TEST

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

The bank has an adequate level of qualified investments. Investments consist of two new low-income housing tax credits, three prior period equity investments, and qualified grants and donations. The bank exhibits adequate responsiveness to credit and community economic development needs. The bank occasionally uses innovative and/or complex investments to support community development initiatives.

Investment Activity

Based upon the institution's financial ability, its capacity to invest, and the opportunities available within the assessment area, EBSB made an adequate level of qualified investments and donations.

During the evaluation period, qualified investments, grants and donations totaled approximately \$6.0 million. This total includes \$4,532,997 in new equity investments, \$626,410 in prior period equity investments, and \$839,719 in qualified grants and donations. This volume is similar by dollar since the previous evaluation and equates to 0.13 percent of total assets. At the prior evaluation, the bank had \$6.1 million in qualified investments and donations which equated to .22 percent of total assets. While the volume of qualified equity investments and donations were similar to that at the prior evaluation, assets increased by 70.4 percent. The following table illustrates the bank's community development qualified investments.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	3	626,410	0	0	0	0	0	0	0	0	3	626,410
2014	0	0	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0	0	0
2016	2	4,532,997	0	0	0	0	0	0	0	0	2	4,532,997
YTD 2017	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	5	5,159,407	0	0	0	0	0	0	0	0	5	5,159,407
Qualified Grants & Donations	40	73,720	499	694,562	20	31,437	43	40,000	0	0	602	839,719
Total	45	5,233,127	499	694,562	20	31,437	43	40,000	0	0	607	5,999,126

Source: Bank Records

The following are examples of the bank's qualified investments and donations:

Equity Investments

In 2016, the bank committed to two investments totaling \$4.5 million to provide critical low-income housing tax credits (LIHTC) for the construction of a 56-unit housing project in a low-income census tract in East Boston. The building replaces a dislapidated company that has long been closed. One investment was a Federal LIHTC for \$1.8 million. The one was a State LIHTC for \$2.7 million. To date, the bank has purchased \$167,590 of the Federal LIHTC. As for the State LIHTC, nothing has been purchased. The purchase does not occur until the project is complete and placed in service. This project will be 73 percent affordable, with 33 units or 59 percent of the project set aside for residents at or below 60 percent of the Area Median Income (AMI) and 8 units or 14 percent set aside for residents at or below 30 percent of the AMI. The bank also has three equity investments outstanding as of March 31, 2017 with a book value of \$626,410. Total equity investments equate to approximately 0.8 percent of total investments and

0.13 percent of total assets. This represents a decrease from the bank's performance at the previous evaluation. At the prior evaluation, the bank maintained \$5.7 million in equity investments which represented 2.8 percent of the investment portfolio and .21 percent of total assets.

The bank continues to hold three Massachusetts Housing Finance Agency (MHFA) bonds that it purchased in 2010. MHFA uses the invested funds to support affordable housing for low- and moderate-income individuals. The investments serve the broader statewide or regional area including the assessment area.

Donations

During the evaluation period, the bank and its foundation made \$839,719 in qualified charitable contributions. This represents an increase from the bank's performance at the previous evaluation, where qualified donations totaled \$378,865. Although the dollar volume of qualified donations increased since the prior evaluation, as a percentage of pre-tax net operating income, they declined. Specifically, qualified donations for 2015 and 2016 represented 0.96 percent and 0.6 percent of pre-tax net operating income, respectively. For the prior evaluation, qualified donations for 2012 and 2013 represented 1.1 percent and 0.9 percent of pre-tax net operating income, respectively.

The following are some organizations that received qualified donations through the bank and its charitable foundation.

- **North Shore Community Action Programs (NSCAP)**- NSCAP provides social services that enable low-income families and individuals to obtain skills and knowledge to become economically self-sufficient, participate in civic engagement, and live in dignity and decency. Programs and services offered include education and training, economic stabilization, affordable housing, homeless prevention, energy services, and home care.
- **Haven from Hunger**- Based in Peabody, programs include a food pantry, community meals program, and summer meals for children.
- **Victory Programs**- This organization assists homeless individuals and families who may have substance use disorders, often accompanied by chronic health and mental illness.
- **Action for Boston Community Development (ABCD)**- ABCD provides low-income residents in the Greater Boston region with the tools and resources needed to transition from poverty to stability to success. ABCD's programs include housing and homeless prevention services, fuel assistance, adult basic education and job training, and early education and care.

- **Neighborhood of Affordable Housing-** Based in East Boston, this community development corporation partners with residents, municipalities, and other organizations in pursuit of affordable housing strategies, environmental justice, community planning, leadership development, and economic development opportunities.
- **Urban Edge-** This organization is dedicated to developing affordable housing and rentals and providing small business assistance and home ownership education in Jamaica Plain and Roxbury. Urban Edge offers first-time home buying, foreclosure prevention, and Section 8 homeownership classes.
- **Woman’s Lunch Place-** This organization provides low- and moderate-income women with emergency food services, free medical care, workforce education, and housing placement services .

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community economic development needs. The bank’s investments primarily benefitted projects and organizations that provided affordable housing and/or community services to low- and moderate-income individuals. The community contacts identified these needs as community development needs in the AA.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. The two new equity investments maintain characteristics that make them less likely to be routine investments. EBSB worked collaboratively with several organizations for this complex affordable housing project. They include the City of Boston Department of Neighborhood Development, the Department of Housing and Community Development, and the Massachusetts Housing Equity Fund.

SERVICE TEST

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

Accessibility of Delivery Systems

The bank’s delivery systems are accessible to essentially all portions of the institution’s AA. Alternative delivery systems supplement the branches.

Branch Distribution

The bank’s retail branches are accessible to essentially all portions of the institution’s AA. The bank operates 32 full-service branches, including the main office located in East Boston and the mobile branch. The following table illustrates the distribution of retail branches.

Branch Distribution by Geography Income Level						
Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	69	19.3	255,536	18.2	4	12.5
Moderate	104	29.1	445,904	31.8	8	25.0
Middle	103	28.8	442,969	31.6	6	18.8
Upper	70	19.5	255,864	18.3	13	40.6
NA	12	3.3	1,629	0.1	1	3.1
Total	358	100.0	1,401,902	100.0	32	100.0
<i>Source: 2010 U.S. Census Data and Bank Records</i>						

Of the 32 branches, 4, or 12.5 percent of branches, operate in the low- income census tracts, which is below the percentage of low-income tracts and population in the AA at 19.3 percent and 18.2 percent, respectively. Similarly, branch distribution in the moderate-income tracts is also less than the census tract and population make up at 29.1 percent and 31.8 percent, respectively. Note that one branch listed as NA above represents the mobile branch which travels among multiple geography income levels and is further discussed below.

Alternative Delivery Systems

Online banking services are accessible at www.ebsb.com 24/7, where customers can manage personal or business finances. Other online services include opening a deposit account, viewing transaction and statement histories, obtaining e-statements, initiating funds transfers, bill payment and person-to-person payment, and a free ATM/VISA check card.

The bank also offers personal and business mobile banking applications available for iPhone, Blackberry, and Android devices that allow users to view account balances, initiate funds transfers, and perform mobile check deposits. The bank also provides telephone and mail banking. Customers can check account balances and review account statements.

The bank maintains its membership in the ALLPOINT ATM Network, which offers customers surcharge-free ATM transactions at over 55,000 participating ATM locations worldwide. All ATMs offer a bilingual option in English and Spanish.

The bank operates a full-service mobile branch that operates throughout the AA, with an emphasis on serving the elderly and other populations that have limited mobility or means to visit the branches. Examples of locations served by the mobile branch include Brightview Assisted Living in Danvers, Goddard House Assisted Living in Brookline, and Medford Senior Center in Medford.

The bank employs 80 individuals that speak one or more foreign languages. In total, 31 languages are represented. Multi-lingual employees are available in 30 branches.

Changes in Branch Locations

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 to low- and moderate-income individuals and geographies.

During the examination period, the bank opened four new branches at the following locations: 960 Morrissey Blvd, Dorchester (middle-income); 1050 Beacon St, Brookline (upper-income); 95 Kneeland St, Boston (upper-income); 1441 Beacon St, Brookline (upper-income). In addition, the bank started its mobile branch in 2016.

The bank has not closed any retail branches since the last evaluation.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies or individuals. All branches offer either an ATM or a combination of ATM and drive-up teller. In some locations, the drive-up teller locations offer extended hours. There are seven remote ATM locations.

All retail branches offer the same products and services. Generally, all branches are open from 8:30 a.m. or 9:00 a.m. to 4:00 p.m. or 5:00 p.m. Monday through Wednesday, 8:30 a.m. or 9:00 a.m. to 5:00 p.m. or 6:00 p.m. Thursday, 8:30 a.m. or 9:00 a.m. to 6:00 p.m. or 7:00 p.m. on Friday, and 9:00 a.m. to 12:30 p.m. or 1:00 p.m. on Saturday. The main office is not open on Saturday. Additionally, the 95 Kneeland St. and the mobile branch are open on Sunday 11:00 a.m. to 3:00 p.m.

Community Development Services

The bank provides an adequate level of qualified community development services in the AA during the evaluation period. A majority of the bank's community development service activity consisted of bank officers and employees serving on the boards of community development organizations. The bank provided 125 instances of community development services to several organizations. The following table summarizes the bank's community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2014	7	19	1	3	0	30
2015	3	22	3	4	0	32
2016	4	22	1	2	0	29
YTD 2017	3	26	4	1	0	34
Total	17	89	9	10	0	125

Source: Bank Records.

Employee Involvement

The bank devotes time and resources to assisting with community development initiatives within its AA as representatives serve in leadership roles in community-based organizations. The following are examples of the organizations in which the bank officers are involved.

- **Massachusetts Coalition of the Homeless** - This organization advocates for homeless individuals or those at risk of homelessness. Areas focused on include public policy, including but not limited to the availability of decent, accessible, affordable housing; adequate income maintenance programs; medical care; mental health services; social services; job training and employment. The organization also operates a furniture bank to assist low- and moderate-income households. A senior vice president serves on the organization's Board and Financing Committee.
- **Housing Families** - This organization provides emergency shelter and affordable housing to homeless and at-risk families. Other services offered include academic programs for children, youth and adults, eviction prevention, and housing stabilization. A vice president serves on the organization's Board as Treasurer.
- **Dorchester Bay Economic Development Corporation** - This organization develops and preserves home ownership and rental housing, creates and sustains economic development, and strengthens the community through organizing, civic engagement, and leadership development. A vice president serves on the organization's Credit Committee.
- **South Boston Neighborhood Development Corporation** - This organization participates in partnerships with local human service providers to coordinate the provision of affordable housing and services and to increase the permanent job opportunities for South Boston residents by encouraging and initiating economic development projects. A vice president serves on the organization's Board.

- **Citizens for Adequate Housing** - This organization provides transitional housing program for the homeless, develops and operates multi-family affordable housing, and provides other social services to low- and moderate-income individuals and families. A vice president serves on the organization's Housing and Finance Committee. Further, a Corporator serves on the organization's Board .
- **Danvers Affordable Housing Trust** - This government organization creates and preserves affordable housing in Danvers for low- and moderate-income individuals. The organization also produces an affordable housing needs assessment and offers information regarding first-time home buyer programs. A vice president serves on the organization's Board .
- **BUILD Greater Boston**- This organization provides entrepreneurship education and seed capital to help Boston Public School students start their own small businesses. The majority of students served are low- and moderate-income. The president serves on the organization's Host Committee.
- **East Boston Social Centers** - Serving low- and moderate-income families in East Boston, this organization's programs include affordable childcare, afterschool programs for at-risk youth, summer camps, and elderly services. The chief operating officer serves on the Board and Finance Committee and a director serves as the organization's treasurer.

Technical Educational and Support

Employees conducted and participated in numerous seminars designed to educate consumers about banking and the products available to meet their specific needs. The following are notable examples of financial education.

- **Teach Children to Save** - In 2015 and 2016, employees participated in this after school financial education program held at Revere Public Schools, where a majority of students are low- and moderate-income. Topics included the importance of saving, budgeting, and basic banking skills.
- **Boston Home Center** - This organization offers training, financial help, and counseling to first-homebuyers, counseling to help families avoid foreclosure, hosts affordable housing lotteries, and markets homes developed for income-eligible buyers. In 2016 and 2017, personnel periodically participated in the Center's Meet the Lender Program, which provides information about the home buying process, mortgage options, and financial assistance programs.

- **Peabody Learning Academy (Academy)** - This organization serves the at-risk student population of Peabody Veterans Memorial High School. A majority of the students served receive assistance through the National School Lunch Program. Since 2015, a bank representative presents a Learn to Save and Checking Seminar annually at the Academy.
- **First Time Homebuyers** - In 2014, an employee presented at a first-time homebuyer seminar at the Lynn Housing Authority. The seminar targeted low- and moderate-income individuals.
- **Money Smart** - In 2014, bank employees presented financial facts about managing a checking account, budgeting, borrowing, saving, and building good credit to students at North Shore Community College (NSCC). The United States Department of Education designated NSCC as 1 of the top 25 community colleges nationally to advance opportunities for low-income students.
- **Nativity Preparatory School** - This tuition-free middle school serves boys from low-income city families. The bank provided financial literacy support and education to both students and parents in 2014.
- **Massachusetts Small Business Development Center Network (MSBDC)** – MSBDC provides free advisory services in addition to educational training programs targeted to small businesses. In 2014, a representative presented a workshop about obtaining capital to 20 small business owners.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A

SCOPE OF EVALUATION

SCOPE OF EVALUATION	
TIME PERIOD REVIEWED	April 7, 2014 - June 19, 2017
FINANCIAL INSTITUTION	East Boston Savings Bank
PRODUCTS REVIEWED:	
<ul style="list-style-type: none"> • Home mortgage loans originated in 2015 and 2016 reported on the bank’s HMDA Loan Application Registers. • Small business loans originated in 2015 and 2016 and reported on the bank’s CRA Loan Registers. 	

List of Assessment Areas and Type of Evaluation			
Rated Area/ Assessment Area	Type of Evaluation	Branches Visited	Other Information
AA	Full-scope	N/A	358 Census Tracts

Rated Areas’ Ratings	
Rated Area’s Name	Overall Rated Area’s Rating
AA	Satisfactory

APPENDIX B

FAIR LENDING POLICIES AND PROCEDURES

Examiners reviewed the bank’s fair lending performance to determine how it relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division’s Community Reinvestment and Fair Lending Policy. Based upon the review of the bank’s public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of anti-discrimination laws and regulations.

Minority Application Flow

Examiners reviewed the bank’s 2015 and 2016 HMDA LARs to determine if the application flow from different minority groups reflected AA demographics.

Examiners compared the bank’s 2015 residential lending to the 2015 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the institution received from minority residential loan applicants. Refer to the table below for information on the bank’s minority application flow as well as a comparison to aggregate lending data within the AA.

Minority Application Flow					
RACE	Bank 2015		2015 Aggregate Data	Bank 2016	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	2	0.4
Asian	23	4.6	6.6	35	6.6
Black/ African American	39	7.8	5.8	23	4.4
Hawaiian/Pacific Islander	2	0.4	0.2	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	9	1.8	1.7	6	1.1
Total Minority	73	14.6	14.6	66	12.5
White	308	61.9	59.1	345	65.5
Race Not Available	117	23.5	26.3	116	22.0
Total	498	100.0	100.0	527	100.0
ETHNICITY					
Hispanic or Latino	40	8.0	6.6	44	8.4
Not Hispanic or Latino	334	67.1	66.6	363	68.9
Joint (Hisp/Lat /Not Hisp/Lat)	6	1.2	1.0	6	1.1
Ethnicity Not Available	118	23.7	25.8	114	21.6
Total	498	100.0	100.0	527	100.0

Source: 2010 U.S. Census; 2015 and 2016 HMDA Reported Data; 2015 HMDA Aggregate Data

According to the 2010 U.S. Census data, the bank's AA contained a total population of 1,401,902 individuals, of which 41.6 percent are minorities. The AA's minority and ethnic population consists of 13.8 percent Black/African American, 8.7 percent Asian/Pacific Islander, 0.2 percent American Indian, 15.3 percent Hispanic, and 3.6 percent Other Race.

In 2015, the bank received 498 HMDA reportable loan applications within its AA. Of these applications, the bank received 14.6 percent from minority applicants. This is similar to the aggregate's performance of percent of applications received from minorities. For the same year, the bank received 8.0 percent applications from the Hispanic or Latino applicants which is higher than the aggregate of 6.6 percent.

In 2016, the bank received 12.5 percent of applications from racial minorities and 8.4 percent of applications from Hispanic or Latino applicants.

The bank's minority application flow, when compared to the aggregate's lending performance levels and the AA demographics, is reasonable.

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 10 Meridian Street, East Boston, Massachusetts 02128.

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 10 Meridian Street, East Boston, Massachusetts 02128.

[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.