

PUBLIC DISCLOSURE

JUNE 20, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EASTERN BANK

32773

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Division of Banks

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NOTE: 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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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Eastern Bank (or “the Bank” or “the Institution”)** prepared by the Division and the FDIC, the Institution's supervisory agencies, as of **June 20, 2011**. The agencies evaluate performance in the assessment area(s), as they are defined by the Institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the Institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: Eastern Bank is rated “Outstanding.”

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE TEST RATINGS TABLE

The following table indicates the performance level of Eastern Bank with respect to the lending, investment, and service tests.

Performance Tests Eastern Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Satisfactory**			
Needs to Improve			
Substantial Non-Compliance			

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

**Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term “satisfactory” will be used in lieu of the “low satisfactory” rating for the lending, investment, and service test ratings

SUMMARY OF MAJOR FACTORS SUPPORTING RATING

The assigned rating is based on the results of three performance tests applicable to the Large Bank examination procedures: the Lending Test, the Investment Test, and the Service Test. A summary of Eastern Bank's performance is provided below:

LENDING TEST

The institution's Lending Test performance is rated "High Satisfactory."

- Overall, Eastern Bank's home mortgage, small business, and indirect automobile lending activity reflected good responsiveness to assessment area credit needs considering the size of the institution, loan portfolio composition, and high level of competition within its designated assessment area. The Bank's average net loan-to-deposit ("LTD") ratio over the previous 16 quarters was 71.3 percent, which is comparable to the LTD of three similarly focused financial institutions during the same time period.
- The Bank's overall assessment area concentration was good. A high percentage of home mortgage loans reportable under the Home Mortgage Disclosure Act ("HMDA") and a substantial majority of small business loans were extended within the assessment area. Slightly more than 50 percent of indirect automobile loans were within the assessment area.
- Overall, Eastern Bank's geographic distribution of home mortgage, small business, and indirect automobile loans reflected adequate dispersion throughout the assessment area when compared to assessment area demographics and aggregate lending performance in 2009.
- Overall, the distribution of Eastern Bank's home mortgage, small business, and indirect automobile loans reflected good penetration among borrowers of different income levels and businesses of varying sizes. The distribution of home mortgages by borrower income, compared to assessment area demographics and aggregate lending performance, demonstrates the Bank's commitment to, and success in, extending credit to borrowers of all income levels, especially those of low- and moderate-income. The record of extending small business loans by size of the business and by loan amount demonstrates adequate performance of making loans to small- and medium-sized businesses. Furthermore, Eastern Bank extended a good percentage of indirect automobile loans to low- and moderate-income borrowers, which demonstrates its success in meeting this particular assessment area credit need.
- Eastern Bank continued to demonstrate its leadership role in community development lending by originating a total of \$68,209,000 in community development loans during the evaluation period. These types of loans had a significant impact on the communities in which the loans were made. Several loans helped create affordable housing for low- and moderate-income individuals and in low- and moderate-income geographies of the assessment area.

- Eastern Bank made extensive use of innovative and flexible lending programs. Several loan programs offered by the Bank were specifically tailored to assist low- and moderate-income individuals in attaining homeownership by offering below-market interest rates with flexible underwriting guidelines. Additionally, Eastern Bank is a designated Small Business Administration (“SBA”) *Preferred Lender*, and offers loans through a number of SBA guaranty programs that make credit available to businesses that may not otherwise qualify.

INVESTMENT TEST

The Institution’s Investment Test performance is rated “Outstanding.”

- Eastern Bank made approximately \$42,445,909 in qualified investments that benefited the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.
- The institution did not make extensive use of innovative or complex investments to support community development initiatives; however, the level of qualified investment and grant activity demonstrates excellent responsiveness to the credit and community development needs of the assessment area.

SERVICE TEST

The Institution’s Service Test performance is rated “Outstanding.”

- Eastern Bank’s branch network and business hours make its services readily accessible to all geographies throughout the assessment area. Changes in branch locations have not adversely impacted accessibility.
- The Bank is a leader in providing community development services by offering and participating in a large number of financial education seminars targeted toward the needs of low- and moderate-income individuals and first-time homebuyers. Bank officers and staff members of various levels have also helped address community needs through their involvement in a wide range of community organizations, particularly those providing services to low- and moderate-income individuals throughout the assessment area.

PERFORMANCE CONTEXT

Description of Institution

Eastern Bank is a wholly-owned subsidiary of Eastern Bank Corporation, a mutual bank holding company. The Institution is a full-service, commercial bank headquartered at 265 Franklin Street in Boston, Massachusetts. Eastern Bank also maintains an operations center, known as One Eastern Place, at 195 Market Street in Lynn, Massachusetts.

The Bank experienced growth of 15.3 percent since the previous CRA evaluation, dated June 25, 2007. Total assets as of March 31, 2007, were \$6.5 billion, compared to recent total assets of \$7.5 billion as of March 31, 2011. This level of growth is primarily attributable to the Eastern Bank Corporation merger with MASSBANK, which was finalized in October 2008, as well as the acquisition of Wainwright Bank and Trust Company ("Wainwright") in March 2011.

Eastern Bank engages in diverse lines of business, including mortgage banking, small business banking, corporate lending, asset-based lending, consumer banking and finance, capital markets, and investment management. Loans continue to represent the majority of total assets, at 50.8 percent. Commercial loans (commercial real estate and commercial and industrial loans) represent the most significant percentage of total loans at 42.7 percent, followed by home mortgages (1-4 family and multi-family residential loans) at 39.1 percent, and consumer loans at 13.3 percent of total loans. The following table illustrates the Institution's loan portfolio composition as of March 31, 2011.

Loan Distribution as of March 31, 2011		
	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction and Land Development	73,358	1.9
1-4 Family Residential	1,343,697	34.4
Multi-Family (5 or more) Residential	184,597	4.7
Commercial	1,072,871	27.5
Total Real Estate Loans	2,674,523	68.5
Commercial and Industrial	592,857	15.2
Consumer	518,417	13.3
Obligations of States & Political Divisions in U.S.	92,341	2.4
Other/Lease Financing Receivables	27,365	0.7
Less unearned income	(5,253)	(0.1)
Total Loans	3,900,250	100.0

Source: Report of Condition

Eastern Bank operates 94 full-service branches located throughout eastern Massachusetts. This number represents an increase of 27.0 percent since the previous evaluation, at which time the Bank operated 74 full-service branch locations. The merger with MASSBANK and the acquisition of Wainwright resulted in the addition of 26 locations (14 former MASSBANK locations and 12 former Wainwright offices) to the Eastern Bank branch network. Since the previous evaluation, Eastern Bank opened four

additional branches, one each in Chelsea (August 2008), Hyannis (July 2009), Andover (August 2010), and West Roxbury (January 2011). During the same time period, the Bank closed ten branch locations. The Bank also maintains one limited-service branch in Woodbridge for a total of 95 branches.

The Bank operates nine (9.5 percent) of its branches in low-income tracts, located in Hyannis, Boston (3), Chelsea, Lowell (2), Cambridge, and Lynn. This concentration of branches in low-income census tracts closely reflects the Bank's assessment area, as low-income tracts represent 8.2 percent of assessment area geographies. The Bank also operates eleven (11.6 percent) of its branches in moderate-income census tracts located in East Wareham, Plymouth, Wareham, Everett, Malden, Medford, Lynn (2), and Salem. Moderate-income tracts represent 22.8 percent of the assessment area.

Seven stand-alone automated teller machines (ATMs) are dispersed throughout the assessment area, three (42.9 percent) of which are located in low- or moderate-income census tracts.

Eastern Bank also maintains two loan production offices, one each in Warwick and Westerly, Rhode Island; both are almost exclusively dedicated to the origination of home mortgage loans in Rhode Island. The volume of loans originated through these offices represented approximately 7.7 percent of the Bank's total home mortgage loans in 2009 and 8.1 percent in 2010.

The Bank sells the majority of its fixed-rate, home mortgage loans on the secondary market. In 2009, the Bank sold 2,380 loans totaling \$562.3 million. Continuing its participation in secondary market activity, the Bank sold 1,484 loans totaling \$332.9 million in 2010.

The prior CRA evaluation dated June 25, 2007, conducted jointly by the FDIC and the Division, also resulted in an "Outstanding" rating.

Description of Assessment Area

The CRA requires the designation of one or more assessment area(s) within which the financial institution's record of helping to meet the needs of its community will be evaluated. Eastern Bank has one designated assessment area that conforms to the CRA regulation. The assessment area consists of whole geographies, does not arbitrarily exclude low- or moderate-income areas, does not extend beyond state boundaries, and does not reflect illegal discrimination. The designated assessment area includes all municipalities in which the Bank maintains a branch office, as well as cities and towns adjacent to those communities and served by the branch locations.

Eastern Bank added 18 cities and towns to the designated assessment area since the previous CRA evaluation. The majority of the additions to the assessment area (14 municipalities) directly resulted from the Bank's merger and conversion of MASSBANK in 2008. The remaining four additions resulted from branch openings in Andover in June 2010.

The following table provides a list of all 141 cities and towns that compose the Bank's current assessment area.

Assessment Area Cities and Towns				
Abington	Dedham	Lakeville	North Andover*	Swampscott
Acton*	Dennis	Lawrence*	North Reading	Taunton
Acushnet	Dighton	Lexington	Norton	Tewksbury*
Amesbury	Dover	Lincoln	Norwell	Topsfield
Andover*	Dracut*	Littleton*	Norwood	Tyngsborough*
Arlington	Duxbury	Lowell*	Peabody	Wakefield
Avon	East Bridgewater	Lynn	Pembroke	Walpole
Barnstable	Easton	Lynnfield	Plymouth	Waltham
Bedford	Essex	Malden	Plympton	Wareham
Belmont	Everett	Manchester	Quincy	Watertown
Berkley	Fairhaven	Mansfield	Randolph	Wayland
Beverly	Falmouth	Marblehead	Raynham	Wellesley
Billerica	Foxborough	Marion	Reading	Wenham
Boston	Framingham	Marshfield	Rehoboth	West Bridgewater
Bourne	Freetown	Mashpee	Revere	West Newbury
Boxford	Georgetown	Mattapoisett	Rochester	Westford*
Braintree	Gloucester*	Medford	Rockland	Weston
Bridgewater	Groton*	Melrose	Rockport*	Westwood
Brockton	Groveland	Merrimac*	Rowley	Weymouth
Brookline	Halifax	Methuen*	Salem	Whitman
Burlington	Hamilton	Middleborough	Salisbury	Wilmington
Cambridge	Hanover	Middleton	Sandwich	Winchester
Canton	Hanson	Milton	Saugus	Winthrop
Carlisle*	Haverhill*	Nahant	Scituate	Woburn
Carver	Hingham	Natick	Sharon	Yarmouth
Chelmsford*	Holbrook	Needham	Sherborn	
Chelsea	Hull	Newbury	Somerville	
Cohasset	Ipswich	Newburyport	Stoneham	
Danvers	Kingston	Newton	Stoughton	

* - Municipality added since June 25, 2007 CRA Performance Evaluation

Of the 141 cities and towns that compose the Bank's assessment area, a substantial majority (123) are located within the Boston-Cambridge-Quincy, MA-NH MSA/CBSA. This MSA/CBSA further encompasses three MDs including the Boston-Quincy, MA MD, the Cambridge-Newton-Framingham, MA MD, and the Essex County, MA MD. The remaining 18 municipalities are within the Barnstable, MA MSA (7), or the Providence-New Bedford-Fall River, RI-MA MSA/CBSA (11). Total population of the designated assessment area is 4,069,660, representing 64.1 percent of the entire Commonwealth of Massachusetts' population.

Demographic and Economic Data

Census Tract Income Levels

Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

- Low-Income: Less than 50 percent of MFI;
- Moderate-Income: At least 50 percent but less than 80 percent of MFI;
- Middle-Income: At Least 80 percent but less than 120 percent of MFI;
- Upper-Income: 120 percent or greater of MFI.

Under the Geographic Distribution section of the Lending Test, the Bank's lending is evaluated pursuant to the census tract designations resulting from the 2000 Census. The following table depicts the number and percentage of assessment area census tracts at each income level, based on 2000 US Census data.

Distribution of Census Tracts by Income Category of Census Tract		
Census Tracts	2000 US Census Data	
	#	%
Low	70	8.2
Moderate	196	22.8
Middle	384	44.8
Upper	206	24.0
Not Applicable	2	0.2
Total	858	100.0

Source: 2000 US Census Data

Median Family Income Levels

The Borrower Characteristics section of the Lending Test is based on the distribution of home mortgage loans to individuals of different income levels, focusing on loans to low- and moderate-income borrowers. Income levels are broken down into the same four categories as described above (low-, moderate-, middle-, and upper-); however, this analysis is based on MFI levels for each applicable MSA/MD, which are based on 2000 US Census data and have been annually adjusted for inflation and other economic events by the Department of Housing and Urban Development (HUD). The 2010 MFI information for the MSAs in which the Bank has designated its assessment area is illustrated below:

Median Family Income Data	
MSA	2010 HUD-adjusted Median Family Income
Boston-Cambridge-Quincy, MA-NH MSA/CBSA	
<i>Boston-Quincy, MA MD</i>	\$85,200
<i>Cambridge-Newton-Framingham, MA MD</i>	\$98,700
<i>Peabody, MA MD</i>	\$83,900
Providence-New Bedford-Fall River, RI-MA MSA/CBSA	\$72,100
Barnstable, MA MSA	\$75,300

Source: HUD and 2000 US Census Data

The analysis of the Bank's home mortgage lending under the *Borrower Characteristics* performance factor includes comparisons to the distribution of *families* by income level. The following table shows this distribution based on 2000 US Census data.

Number and Percentage of Families by Income Level		
Income Category	2000 Census	
	Number of Families	% of Total Families
Low-Income	206,960	20.7
Moderate-Income	177,198	17.7
Middle-Income	220,572	22.1
Upper-Income	394,097	39.5
Total	998,827	100.0

Source: 2000 US Census Data

Furthermore, the analysis of the Bank's indirect auto lending under the *Borrower Characteristics* performance factor includes comparisons to the distribution of *households* by income level. The following table shows this distribution based on 2000 US Census data.

Number and Percentage of Households by Income Level		
Income Category	2000 Census	
	Number of Households	% of Total Households
Low-Income	389,132	24.8
Moderate-Income	247,664	15.8
Middle-Income	289,094	18.4
Upper-Income	641,964	41.0
Total	1,567,854	100.0

Source: 2000 US Census Data

Housing Characteristics

According to 2000 US Census data, the assessment area contains 1,657,662 housing units, of which 56.8 percent are owner-occupied and 37.8 percent are rental units. The vacancy rate throughout the assessment area is 5.5 percent. The following table illustrates selected housing characteristics within the Bank's designated assessment area based on 2000 US Census data.

Selected Housing Characteristics by Income Category of the Geography								
Geographic Income Category	Percentage					Median		
	Households	Housing Units	Owner-Occupied	Occupied Rental Units	Vacant Units	Age	Home Value	Gross Rent
Low	5.1	5.2	1.5	10.6	5.4	39	\$166,598	\$534
Moderate	22.2	22.1	13.6	35.1	21.5	44	\$177,939	\$752
Middle	47.3	47.6	52.4	39.6	50.8	33	\$204,050	\$830
Upper	25.4	25.1	32.5	14.7	22.3	32	\$332,339	\$1,020
Total or Median	100.0	100.0	100.0	100.0	100.0	36	\$237,879	\$799

Source: 2000 US Census Data

The 2000 US Census data indicate a range of home values between \$166,598 in low-income geographies to \$332,631 in upper-income geographies of the assessment area. Information obtained from *The Warren Group* for 2010, indicates much higher median values, as outlined for a representative cross-section of the cities and towns located within the designated assessment area, both by geographic location and income level.

Median Home Sales Prices – Select Cities of the Assessment Area	
Municipality	2010
Acushnet	\$189,900
Amesbury	\$245,000
Billerica	\$300,000
Boston	\$585,000
Cambridge	\$459,000
Carlisle	\$578,250
Dover	\$726,079
Framingham	\$270,000
Hamilton	\$415,500
Lawrence	\$155,000
Lowell	\$155,775
Lincoln	\$710,175
Middleborough	\$215,500
Quincy	\$307,500
Rehoboth	\$267,500
Revere	\$230,000
Rockport	\$338,250
Scituate	\$425,000
Wareham	\$155,000
Weston	\$1,084,150

Source: *The Warren Group*

Overall, median sales prices throughout the assessment area increased since the 2000 US Census, but generally decreased significantly since the last evaluation.

Employment

The following table outlines the 2010 unemployment rate for each county in which the Bank has designated at least a portion of its assessment area.

Unemployment Rates – Assessment Area Counties	
County	2010
Barnstable	10.1%
Bristol	10.4%
Essex	8.5%
Middlesex	6.5%
Norfolk	6.8%
Plymouth	8.5%
Suffolk	7.5%

Source: *Bureau of Labor Statistics*

As demonstrated above, the 2010 unemployment rates range from a low of 6.5 percent in Middlesex County, to a high of 10.4 percent in Bristol County. These figures are relatively equally distributed around the unemployment rate throughout Massachusetts of 8.5 percent, and the national unemployment rate of 9.4 percent.

Similar to the decrease in the national unemployment rate between 2009 and 2010 (9.9 percent to 9.4 percent), all counties of the assessment area experienced similar decreases.

Business and Industry

A state's Gross Domestic Product ("GDP") is determined by the sum of what consumers, businesses, and government spend on final goods and services. Therefore, a state's GDP is a measure of the value of final goods and services produced by all industries during a given timeframe. In 2010, the Commonwealth of Massachusetts had a GDP of \$378.7 billion, representing an increase of 4.8 percent from 2009. The six top producing industries in 2010, by North American Industry Classification (NAICS) designations, are listed by percent of total Massachusetts GDP and include: Real Estate, Rental and Housing at 14.1 percent; Professional and Technical Services at 12.1 percent; Finance and Insurance at 10.7 percent; Health Care and Social Services at 10.3 percent; Manufacturing at 9.5 percent; and Government, at 9.0 percent each. (Source: US Bureau of Economic Analysis at www.bea.gov).

The Commonwealth of Massachusetts was home to 13 Fortune 500 companies in 2010. The Fortune 500 is a list of public corporations in the United States that assigns rankings in accordance with gross annual revenue levels. Massachusetts corporations on the Fortune 500 list in 2010 include (in alphabetical order): Biogen Idec Inc.; BJ's Wholesale Club, Inc.; Boston Scientific Corp.; EMC Corp.; Genzyme Corp.; Global Partners LP; Liberty Mutual Insurance Co.; MassMutual Financial Group; Raytheon Co.; Staples, Inc.; State Street Corp.; The TJX Companies, Inc.; and Thermo Fisher Scientific Inc.

Business Geodemographic data for 2010 indicate that the Bank's designated assessment area is home to 298,352 businesses, the majority of which (68.5 percent) have gross annual revenues of less than \$500,000. Furthermore, 207,890 businesses, representing 68.5 percent of the area's total, employ fewer than five individuals. Of all assessment area businesses, 6.7 percent are located in low-income census tracts; 15.3 percent are located in moderate-income census tracts; 44.7 percent are in middle-income census tracts; and 33.3 percent are located in upper-income census tracts.

Competition

The environment in which Eastern Bank operates remains highly competitive. Market share reports for 2009 indicate that a total of 780 financial institutions originated or purchased home mortgage loans within the Bank's designated assessment area. Market share reports for small business lending reveal that 132 financial institutions originated or purchased small business loans in the counties of which at least a portion is within the Bank's assessment area. Further demonstrating the significant level of competition for home mortgage loans is the fact that the top ten home mortgage originators are primarily large mortgage companies and national or regional banks that collectively account for

42.3 percent of total assessment area market share. Additionally, the top three small business lenders are national financial institutions that collectively account for 56 percent of total market share by number of loans. The average loan amount made by each of the top three small business lenders ranges between \$5,000 and \$6,000.

Bank management considers the Institution's primary competitors to include large national banks such as Bank of America and Wells Fargo Bank; large regional institutions such as Citizens Bank and Sovereign Bank; community banks such as Salem Five Cents Savings Bank and Bank of Canton; and large regional mortgage companies.

Community Contacts

A community contact was conducted with an organization involved in community and welfare services in Lynn, Massachusetts. The contact referred to the need for assistance in the areas of account opening and credit counseling. The clients with whom this organization works need assistance in resolving issues with other banks in the past that prevent them from obtaining bank accounts. As a result, a majority of these individuals struggle with a lack of trust in local financial institutions. The contact further stated that there is a significantly increasing need for financial education throughout the assessment area. A few of the Bank's employees volunteer at the organization to assist with tax return preparation and individual or family budget planning. A review of three additional community contacts conducted in conjunction with recent CRA evaluations revealed the same need for financial education.

SCOPE OF THE EVALUATION

An on-site evaluation was conducted using large institution examination procedures, as established by the FFIEC. A review of the Division's and FDIC's records, as well as the Bank's Public CRA File, did not reveal any complaints relating to the Institution's CRA performance since the prior evaluation.

The analyses of home mortgage, small business, and indirect automobile lending data are based on full-year data from January 1, 2009 through December 31, 2010. The primary focus of the evaluation, and the information presented in the tables, is the Bank's lending activity in 2009, as this is the most recent year for which aggregate lending data is available to make meaningful performance comparisons. All lending activity for calendar year 2008 and 2010 was also analyzed to identify any significant trends or anomalies in the lending data. The evaluation of the Bank's community development lending and innovative or flexible loan products consists of all applicable activity since the previous joint FDIC and Division CRA evaluation.

In order to comply with the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("IBBEA"), the Federal Financial Institutions Examination Council ("FFIEC") interagency CRA examination procedures require the FDIC to evaluate the Bank's overall performance within their assessment area(s) and to separately describe the Bank's activities in each metropolitan area in which the Bank has a branch office. As allowed by IBBEA, it is not necessary to conduct separate analyses of the Bank's performance within metropolitan divisions (MDs) that are part of a larger metropolitan statistical area (MSA) or core based statistical area (CBSA) included in the Bank's assessment area. Thus, separate analyses were not conducted for the MDs that are within the Boston-Cambridge-Quincy, MA-NH MSA/CBSA. The separate discussions of the Bank's performance in the Boston-Cambridge-Quincy, MA-NH MSA/CBSA, the Barnstable Town, MA MSA, and the Providence-New Bedford-Fall River, RI-MA MSA follow the Conclusions with Respect to Performance Tests section.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Institution's Lending Test performance is rated "High Satisfactory."

The Lending Test evaluates an institution's record of helping to meet the credit needs of its assessment area by considering an institution's home mortgage, small business, small farm, and community development lending. Eastern Bank's lending efforts are rated under five performance criteria: Lending Activity; Geographic Distribution; Borrower Characteristics; Community Development Lending; and Innovative or Flexible Lending Practices. In addition, other loan data involving indirect automobile lending was evaluated upon management's request. The Bank did not originate any small farm loans during the evaluation period; therefore, this category of loans is not included in the analyses.

As previously discussed in the *Description of Institution* section, the Bank's loan portfolio is more heavily weighted in commercial loans, followed by home mortgage loans and consumer loans. Therefore, home mortgage lending and small business lending activity have the largest impact in arriving at overall conclusions pursuant to Lending Test criteria. Only those loans extended within the Bank's designated assessment area are analyzed under the *Geographic Distribution* and *Borrower Characteristics* criteria. Performance under the Lending Test is weighed more heavily than the Investment and Service Tests in arriving at the overall CRA rating.

As noted in the *Description of the Assessment Area* section, the Bank expanded its assessment area twice during the evaluation period primarily due to the merger and acquisition activity discussed earlier. The resultant changes in the Bank's "performance context" were factored into the analyses and applicable ratings.

Lending Activity

Overall, Eastern Bank's lending activity reflected good responsiveness to the credit needs of the assessment area, considering the size of the Bank, loan portfolio composition, and the significant level of competition within the assessment area. The Lending Activity performance factor considers the Bank's LTD and assessment area concentration.

Loan-to-Deposit Ratio

Eastern Bank's LTD ratio was reasonable, considering the size and financial condition of the Bank, merger and acquisition activity, loan volume sold on the secondary market, and assessment area credit needs.

The Bank's average net LTD over the 16 quarters since the prior CRA evaluation was 71.3 percent. The Bank's quarterly LTD ratio declined over the period, from 86.5 percent as of June 30, 2007, to 62.8 percent as of March 31, 2011. This decline is partially attributable to the decrease in total loans (at 22.8 percent) outpacing the decrease in total deposits (at 15.0 percent) over the 16 quarters. Management added that the Bank's LTD ratio was also impacted by the sale of fixed-rate mortgages on the

secondary market, combined with the lower loan demand and stricter underwriting criteria in general. When compared to three similarly situated institutions, in terms of loan portfolio composition, total assets, and market area, the Bank's current net LTD of 62.8 percent was, on average, 12 percent higher than the averages of the other institutions.

Assessment Area Concentration

Table 1 illustrates the Institution's record of home mortgage, small business, and indirect automobile lending inside and outside the assessment area in 2008, 2009, and 2010. The Bank extended a majority of loans, both by number and by dollar volume, inside the assessment area, which demonstrates good responsiveness to assessment area credit needs. As previously discussed, home mortgage and small business lending activity are assigned the most weight in assessing overall performance.

Table 1 – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2008	1,086	76.9	327	23.1	1,413	258,605	75.2	85,414	24.8	344,019
2009	2,009	79.1	532	20.9	2,541	464,327	78.0	130,710	22.0	595,037
2010	1,282	79.4	332	20.6	1,614	351,655	81.9	77,656	18.1	429,311
Subtotal	4,377	78.6	1,191	21.4	5,568	1,074,587	78.5	293,780	21.5	1,368,367
Small Business										
2008	1,848	96.1	75	3.9	1,923	298,329	94.3	18,024	5.7	316,353
2009	1,354	95.0	71	5.0	1,425	263,775	93.7	17,711	6.3	281,486
2010	1,453	96.3	56	3.7	1,509	288,980	95.8	12,649	4.2	301,629
Subtotal	4,655	95.8	202	4.2	4,857	851,084	94.6	48,384	5.4	899,468
Indirect Auto										
2008	23,732	54.6	19,705	45.4	43,437	432,378	54.4	362,249	45.6	794,627
2009	5,119	58.7	3,599	41.3	8,718	87,074	59.0	60,617	41.0	147,691
2010	5,861	51.1	5,614	48.9	11,475	112,265	50.6	109,691	49.4	221,956
Subtotal	34,712	54.6	28,918	45.4	63,630	631,717	54.3	532,557	45.7	1,164,274
Total	43,744	59.1	30,311	40.9	74,055	2,557,388	74.5	874,721	25.5	3,432,109

Source: Institution records and 2000 US Census data

As shown in Table 1, there is a 15.4 percent difference between the percentage of total loans by count and by dollar volume extended inside the assessment area. The percentage of loans within the assessment area by number, at 59.1 percent, is skewed due to the fact that indirect automobile lending activity accounts for 85.9 percent of total number of loans by product line, while slightly more than 50 percent of these loans were made within the assessment area. The percentage of loans by dollar volume made within the assessment area, at 74.5 percent, provides a more accurate reflection of the Institution's overall performance of lending within the assessment area. This percentage

is not skewed as heavily by the volume of indirect automobile lending since those loans are typically lower in dollar amount than home mortgage and small business loans. The indirect automobile loans account for only 33.9 percent of the total dollar amount of all loans analyzed.

The Bank's overall performance under this criterion shows a fairly consistent performance in all three years illustrated in the table (with a slight increase in 2009), as the Bank extended 57.0 percent by count, and 70.0 percent by dollar volume of total loans inside the assessment area in 2008; 66.9 percent and 79.6 percent, respectively, for 2009; and 58.9 percent and 79.0 percent, respectively, for 2010. The following sections discuss the Bank's performance under this criterion by product line.

Home Mortgage Lending

The Bank's home mortgage lending activity reflects good responsiveness to assessment area credit needs. As illustrated in Table 1, a majority, or 76.9 percent, of home mortgage loans by count, and 75.2 percent by dollar volume, were extended within the assessment area in 2008. The Bank's home mortgage lending activity in 2009 showed a similar performance, as 79.1 percent by count and 78.0 percent by dollar volume of loans were made within the assessment area. In 2010, the slightly increasing trend continued, with 79.4 percent by number, and 81.9 percent by dollar volume, of home mortgage loans extended in the assessment area.

According to 2008 market share reports, Eastern Bank ranked 17th in market share for total home mortgage loans extended inside its assessment area, out of 775 competing financial institutions. The 2009 market share reports indicate Eastern Bank's position as 19th out of 780 institutions. For both years, those financial institutions ranking higher were primarily large mortgage companies and large national or regional banks. Market share reports for 2010 were not yet available as of this evaluation date.

The following sections provide discussions by home mortgage loan purpose, including home purchase, refinance, and home improvement. The data by individual loan purpose are not shown in table format.

Home Purchase Loans

Home purchase loans accounted for 26.1 percent of the Bank's total assessment area home mortgage loans in 2009. The percentage of home purchase loans made within the assessment area, at 74.8 percent by number and 74.1 percent by dollar volume, is in line with the Bank's overall home mortgage performance under this criterion. The 2010 home purchase loans as a percentage of total home mortgage loans increased slightly to 27.2 percent inside the assessment area. The percentages for number and dollar amount, however, declined in 2010 to 68.0 percent and 70.2 percent, respectively. Overall, the performance for this particular loan purpose is considered good, although the 2009 and 2010 performances represent a somewhat declining trend from 2008 data when 75.2 percent by number and 73.9 percent by dollar amount of home purchase loans were originated within the assessment area. The declining trend in home purchase loans as a percentage of total home mortgage loans from 47.1 percent in 2008 is a reflection of declining mortgage rates prompting more refinancing.

Home Mortgage Refinance Loans

Refinance loans accounted for 73.8 percent of the Bank's total home mortgage loans in 2009. This percentage was slightly lower at 72.5 in 2010. Therefore, this purpose category has the greatest impact on the total percentage of home mortgage loans extended within the assessment area. Of all home mortgage refinance loans in 2009, 80.7 percent by number and 79.3 percent by dollar amount were made in the assessment area. An analysis of the Bank's 2010 performance revealed an increase over 2009; 84.7 percent by number and 84.9 percent by dollar volume of home mortgage refinance loans were made within the assessment area. The Institution's performance under this criterion with regard to home mortgage refinance loans is considered good. The data for 2010 indicate a positive trend, as the Bank's performance in 2008 was similar to 2009.

Home Improvement Loans

All home improvement loans were extended within the assessment area between 2008 and 2010, thus reflecting excellent performance of making this type of loan in the assessment area. However, as home improvement loans represent the lowest percentage of total home mortgage loans by purpose (0.1 percent in 2009 and 0.2 percent in 2010, compared to 0.6 percent in 2008), the overall performance conclusion under *Lending Activity* is not significantly influenced.

Small Business Lending

Eastern Bank extended a substantial majority, or 95.0 percent by count and 93.7 percent by dollar volume, of all small business loans within its assessment area in 2009. Consistent with data from 2009, the Bank extended 96.3 percent by count and 95.8 percent by dollar volume of small business loans inside the assessment area in 2010. The data indicates a stable trend from 2008. This level of small business lending reflects excellent responsiveness to assessment area credit needs. Furthermore, the Bank continued to increase its small business lending volume since the previous evaluation, and sustained its positive trend of lending inside the assessment area throughout the four previous FDIC CRA evaluations.

Market share reports for 2009 reveal that Eastern Bank extended 1,383 small business loans totaling \$272,780,000 within the counties in which at least a portion of the Bank's assessment area is designated. The Bank ranked 12th in terms of number of originations, claiming 1.5 percent of the market. However, in terms of total dollar amount, the small business loan activity accounted for the third highest market share at 9.0 percent. This level of small business lending activity in terms of total market share further reflects the Bank's excellent responsiveness to assessment area credit needs.

Indirect Automobile Lending

As outlined in Table 1, the Bank extended 58.7 percent by count, and 59.0 percent by dollar volume, of its indirect automobile loans inside the assessment area in 2009. The level of indirect automobile lending activity inside the assessment area in 2010 increased slightly from 2009; although, the percentages of number and dollar amount of loans decreased to 51.1 percent and 50.6 percent, respectively, during the same timeframe.

The overall volume of indirect loans decreased considerably since 2008. Management stated that this was the result of economic conditions at the time and a reassessment of the Bank's level of involvement in this type of lending. As the Bank has active lending relationships with automobile dealers in New Hampshire and Rhode Island in addition to Massachusetts, this distribution inside and outside the assessment area is expected.

Geographic Distribution

The Bank's geographic distribution of home mortgage, small business, and indirect automobile loans is adequate when compared to assessment area demographics and aggregate lending performance. The following sections discuss the Bank's performance with regard to each product line.

Home Mortgage Lending

The Bank's penetration of home mortgage loans throughout the assessment area, particularly in low- and moderate-income census tracts, is adequate, considering assessment area demographics, competition, and credit needs. Table 2 illustrates the Bank's performance in 2009 compared to the percentage of total owner-occupied housing units and aggregate lending data by income level of census tract.

Table 2 - Distribution of Home Mortgage Loans by Census Tract Income Category						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2009 Aggregate Lending Data (% of #)	2009 Eastern Bank		2009 Eastern Bank	
			%	#	%	\$(000s)
Low	1.5	1.6	26	1.3	5,135	1.1
Moderate	13.6	11.3	253	12.6	44,864	9.7
Middle	52.4	49.5	1,175	58.5	252,276	54.3
Upper	32.5	37.6	555	27.6	162,052	34.9
Total	100.0	100.0	2,009	100.0	464,327	100.0

Source: 2009 and 2010 HMDA Data, 2010 US Census Data

As shown in Table 2, the Bank made 1.3 percent of home mortgage loans in low-income census tracts by number and 1.1 percent by dollar volume. This percentage by number of originations at 1.3 percent is relatively consistent with the percentage of owner-occupied housing units in low-income census at 1.5 percent and the aggregate lending performance of 1.6 percent. The 26 home mortgage loans extended in low-income geographies in 2009 rank the Bank 17th in low-income census tract market share. This is a noticeable improvement from the prior evaluation when the Bank was ranked 52nd in 2005. The Bank decreased its total home mortgage volume within low-income census

tracts in 2010, and made 1.1 percent of all home mortgage loans within low income-census tracts, which is less than the percentage of owner-occupied housing units. However, this was not a significant decline. In 2008, the Bank's performance stood at 0.8, indicating a slight upward trend between 2008 and 2010.

The Bank's level of lending within moderate-income census tracts, at 12.6 percent is slightly less than the demographic data at 13.6 percent and slightly exceeds the aggregate lending performance of 11.3 percent. Eastern Bank extended 253 home mortgage loans in moderate-income census tracts in 2009, ranking 16th among its competitors. The penetration of home mortgage loans within moderate-income census tracts in 2010, at 12.6 percent, is identical to the Bank's performance in 2009. The Bank's performance declined slightly in 2009 and 2010 compared to the 2008 performance lending in moderate-income tracts at 14.3 percent.

The following sections provide a discussion by home mortgage loan purpose, including home purchase, refinance, and home improvement. The Bank and aggregate data by individual loan purpose are not shown in table format.

Home Purchase Loans

The Bank extended 2.3 percent of home purchase loans in low-income census tracts, which compares favorably against the demographics (1.5 percent), and is only slightly less than the aggregate lending performance of 3.4 percent. Similarly, the Bank made 22.0 percent of its home purchase loans in moderate-income census tracts, which compares favorably against the demographics (13.6 percent), and is greater than the aggregate lending data (18.4 percent).

Home Mortgage Refinance Loans

The Bank made 14 home mortgage refinance loans in low-income census tracts, representing 0.9 percent of the total. This performance is slightly less than the demographic data (1.5 percent) and the aggregate lending performance of 1.1 percent. The Bank extended 137 home mortgage refinance loans within moderate-income census tracts in 2009, representing 9.2 percent by number. This level of lending within moderate-income geographies is less than demographic data (13.6 percent), but in line with the aggregate data (9.0 percent).

Home Improvement Loans

The Bank did not make any home improvement loans in low-income census tracts in 2009, whereas aggregate lending data show that 1.3 percent of all home improvement loans made in the assessment area were in low-income census tracts. The Bank extended 1, or 33.3 percent, of its home improvement loans in moderate-income census tracts, which is more than both the demographic data (13.6 percent) and aggregate lending data (11.4 percent). However, since the Bank originated a total number of only 3 home improvement loans in 2009, these ratios are skewed and do not necessarily represent valid comparisons.

Small Business Lending

The distribution of small business loans reflects good penetration throughout the assessment area, particularly within low- and moderate-income census tracts. Table 3 illustrates the Bank's small business lending activity by income level of census tract, as well as the aggregate lending performance for 2009.

Table 3 - Distribution of Small Business Loans by Census Tract Income Category						
Census Tract Income Level	2009 Aggregate Lending Data		2009 Eastern Bank		2009 Eastern Bank	
	% of #	% of \$	#	%	\$	%
Low	5.6	8.5	75	5.5	22,462	8.5
Moderate	13.8	12.9	191	14.1	35,188	13.3
Middle	53.6	51.5	725	53.6	134,312	51.0
Upper	26.8	26.7	360	26.6	70,613	26.8
N/A	0.2	0.4	3	0.2	1,200	0.4
Total	100.0	100.0	1,354	100.0	263,775	100.0

Source: 2009 CRA Data Collection

As shown in Table 3, the Bank extended 5.5 percent by number and 8.5 percent by dollar volume of small business loans within the low-income census tracts of the assessment area. This performance, both by number of loans and dollar volume, is essentially identical to the aggregate lending data at 5.6 percent and 8.5 percent, respectively. Market share reports for small business loans made in 2009 for counties in which at least a portion of the assessment area is defined indicate that Eastern Bank ranked 11th in terms of total market share throughout low-income census tracts. No significant trends were noted in the geographic distribution analysis of small business loans made in 2010.

The Bank made 14.1 percent of small business loans by number and 13.3 percent by dollar volume in moderate-income census tracts, which is relatively consistent with the aggregate lending performance of 13.8 percent by number and 12.9 percent by dollar volume. Market share reports for 2009 indicate that Eastern Bank extended a total of 191 small business loans in moderate-income census tracts. This accounts for 1.6 percent of total market share throughout the counties of which at least a portion is within the Bank's assessment area, providing the Bank a ranking of 12th. The distribution of small business loans throughout low- and moderate-income geographies in 2010 is consistent with the Bank's performance in 2009.

Indirect Automobile Lending

The Bank's distribution of indirect automobile loans throughout the assessment area, particularly in low- and moderate-income geographies, is adequate. Table 4 illustrates the number and dollar volume of loans compared to total households by income level of census tract.

Table 4 - Distribution of Indirect Automobile Loans by Income Category of the Census Tract						
Census Tract Income Category	Total Households		2009 Eastern Bank		2009 Eastern Bank	
	#	%	#	%	\$	%
Low	80,456	5.1	100	2.0	1,828	2.1
Moderate	348,168	22.2	995	19.4	16,278	18.7
Middle	741,534	47.3	3,022	59.0	51,037	58.6
Upper	397,696	25.4	1,002	19.6	17,931	20.6
Total*	1,567,854	100.0	5,119	100.0	87,074	100.0

Source: 2009 CRA Data Collection and 2000 US Census Data

The Bank's performance, in terms of indirect automobile loans made in both low- and moderate-income census tracts, at 2.0 percent and 19.4 percent by count, respectively, is somewhat less than the percentage of total households in each respective census tract income category. No significant trends were noted in the geographic distribution analysis of indirect automobile loans made in 2008 or 2010.

Borrower Characteristics

Eastern Bank's overall performance under this criterion is good; although, this performance level varies by product line. The Bank's record of extending home mortgage loans to individuals of varying income levels, particularly those of low- and moderate-income is excellent; whereas, the performance of small business and indirect automobile lending under this criterion is good. The following sections discuss the Bank's performance under this criterion with regard to each product line.

Home Mortgage Lending

The distribution of home mortgages to borrowers of varying income levels, particularly those of low- and moderate-income, is excellent. Table 5 outlines the Bank's performance in 2009 as compared to total families by income level and aggregate lending data.

Table 5 - Distribution of Home Mortgage Loans by Borrower Income						
Borrower Income Level	% of Total Families	2009 Aggregate Lending Data (% of #)	2009 Eastern Bank		2009 Eastern Bank	
			#	%	\$	%
Low	20.7	5.7	206	10.3	23,827	5.1
Moderate	17.7	18.4	478	23.8	83,173	17.9
Middle	22.1	25.9	533	26.5	121,382	26.2
Upper	39.5	45.4	672	33.4	194,099	41.8
N/A	0.0	4.5	120	6.0	41,846	9.0
Total	100.0	100.0	2,009	100.0	464,327	100.0

Source: 2009 HMDA Data and 2000 US Census Data

As reflected in Table 5, the Bank extended 10.3 percent by number and 5.1 percent by dollar volume of home mortgage loans to low-income borrowers in 2009. This performance is less than the percentage of low-income families in the assessment area of 20.7 percent, but is nearly twice the aggregate lending performance of 5.7 percent. As previously mentioned in the *Description of Assessment Area* section, the median home sales prices in 2010 throughout assessment area cities and towns ranged from \$189,900 to \$1.1 million. A low-income individual or family earning less than \$41,500 (the average low-income MFI for the entire assessment area) would not likely qualify for financing a home in this price range under conventional underwriting guidelines, thus limiting the opportunity to lend to low-income individuals throughout the assessment area.

According to 2009 market share reports, Eastern Bank ranked 8th in lending to low-income individuals, which reflects the Bank's commitment to meeting the credit needs of the assessment area's low-income individuals. This market rank was achieved, in part, through the use of innovative and flexible loan programs (discussed in the *Innovative and Flexible Lending Practices* section of the Lending Test). This ranking is also a noticeable improvement in ranking from 2008, when the Bank ranked 12th in this category. The Bank's record of extending home mortgages to low-income borrowers in 2010, however, dropped to 7.2 percent, lower than the Bank's performance in both 2008 and 2009. Given the favorable comparison to aggregate data for 2009, the lack of aggregate data for 2010 against which to compare, and the strong market ranking for 2008 and improving trend in 2009, the Bank's performance of lending to low-income borrowers is considered excellent.

The Bank extended 23.8 percent of home mortgage loans by number and 17.9 percent by dollar volume to moderate-income borrowers in 2009. This performance compares favorably against both the percentage of moderate-income families in the assessment area at 17.7 percent, and the aggregate lending data at 18.4 percent. Market share reports from 2009 indicate that Eastern Bank extended 478 home mortgage loans to moderate-income borrowers. This performance resulted in a market rank of 14th in lending to moderate-income borrowers, and reflects a slight improvement in ranking from 15th in 2008. Other than market rank, no significant trends were identified in the analysis of the Bank's performance of lending to moderate-income borrowers in 2008 or 2010, with the exception of a small increase in 2009.

Separate discussions by home mortgage purpose, including home purchase, refinance, and home improvement, are provided in the following sections. The Bank and aggregate data by individual loan purpose are not presented in table format.

Home Purchase Loans

Eastern Bank extended 524 home purchase loans inside the assessment area in 2009, of which 89, or 17.0 percent, were to low-income borrowers. This record of lending to low-income individuals compares favorably against the aggregate lending performance of 8.6 percent, and further demonstrates the Bank's commitment to assisting low-income individuals in attaining homeownership. Additionally, the Bank extended 162 home purchase loans (30.9 percent) to moderate-income borrowers, which also compares favorably to both the percentage of moderate-income families at 17.7 percent, and the aggregate lending data at 26.2 percent. Similar performance was apparent in both 2008 and 2010.

Home Mortgage Refinance Loans

As previously stated, a majority of Eastern Bank's home mortgage loans inside the assessment area in 2009 were for the purpose of refinance. The Bank extended 117 (7.9 percent) of these refinance loans to low-income borrowers. This performance of lending to low-income borrowers is less than the demographic data (20.7 percent), but nearly double the aggregate lending percentage of 4.7 percent. A total of 316 home mortgage refinance loans, or 21.3 percent, were extended to moderate-income borrowers, exceeding both demographic data (17.7 percent) and the aggregate lending performance (15.8 percent). Compared to 2009, performance was not as strong in 2008, but continued an upward trend in 2010.

Home Improvement Loans

The Bank did not originate any home improvement loans inside the assessment area to low- or moderate-income income borrowers from 2008 to 2010. Given the small number of home improvement loans overall, this lack of lending activity has nominal impact on the Bank's performance under this factor.

Small Business Lending

Overall, the distribution of small business loans to businesses of different gross annual revenues ("GAR"s), particularly those of \$1 million or less, is adequate. Table 6 illustrates the number and dollar volume of small business loans, the percentage of total businesses in the assessment area, and aggregate lending data, by GAR level.

Table 6 - Distribution of Small Business Loans by Gross Annual Revenues of Business							
Gross Annual Revenues (000s)	% of Total Businesses	2009 Aggregate Lending Data		2009 Eastern Bank		2009 Eastern Bank	
	%	% by #	% by \$	#	%	\$	%
≤ \$1,000	93.3	25.4	27.7	361	26.7	33,255	12.6
> \$1,000 or Unknown	6.7	74.6	72.3	993	73.3	230,520	87.4
Total	100.0	100.0	100.0	1,354	100.0	263,775	100.0

Source: 2009 CRA Data Collection and 2000 US Census Data

As shown in Table 6, the Bank extended 361, or 26.7 percent, of small business loans to businesses with GARs of \$1 million or less. This performance does not compare favorably with the percentage of total assessment area businesses with GAR of \$1 million or less (93.3 percent), but slightly exceeds the aggregate lending performance of 25.4 percent. It should be noted that GAR codes were not reported for 42.0 percent, or 569, of the Bank's small business loans within the assessment area in 2009. This is primarily attributable to the fact that GARs were not always re-verified for small business loan renewals. To serve as a proxy for the size of business to which a loan is extended, Table 7 illustrates the Bank's small loans to businesses by loan amount.

Table 7 - Distribution of Small Business Loans by Loan Size						
Loan Amount (000s)	2009 Aggregate Lending Data		2009 Eastern Bank		2009 Eastern Bank	
	% by #	% by \$	#	%	\$	%
< \$100	93.2	28.8	765	56.5	33,785	12.8
≥\$100 < \$250	3.1	15.4	268	19.8	48,641	18.4
≥\$250 ≤ \$1,000	3.7	55.8	321	23.7	181,349	68.8
Total*	100.0	100.0	1,354	100.0	263,775	100.0

Source: 2009 CRA Data Collection

As shown in Table 7, 56.5 percent of the Bank's small business loans in 2009 were for amounts less than \$100,000. This percentage does not compare favorably against the aggregate lending performance of 93.2 percent; however, the majority of loans under \$100,000 made by competing lenders in the assessment area are likely small dollar business lines of credit extended by large national financial institutions. Compared to the 2009 performance, the Bank's percentage of loans less than \$100,000 in 2008 was

higher at 64.1, but demonstrated a similar performance in 2010. Nevertheless, the Bank's record of extending small loans to businesses, assuming that loans of small dollar amounts are likely made to very small businesses, reflects the institution's commitment to meeting the credit needs of the area's smallest businesses.

Indirect Automobile Lending

The distribution of indirect automobile loans among borrowers of varying income levels, particularly those of low- and moderate-income, is good. Table 8 shows the distribution of loans by borrower income level and assessment area households by income level.

Table 8 – Distribution of Indirect Automobile Loans by Borrower Income Level						
Borrower Income Level	Total Households		2009 Eastern Bank		2009 Eastern Bank	
	#	%	#	%	\$	%
Low	398,132	24.8	1,393	27.2	19,177	22.0
Moderate	247,664	15.8	1,390	27.2	22,609	26.0
Middle	289,094	18.4	1,102	21.5	19,949	22.9
Upper	641,964	41.0	1,233	24.1	25,319	29.1
Income Not Reported	0	0	1	0.0	20	0.0
Total	1,567,854	100.0	5,119	100.0	87,074	100.0

Source: 2009 CRA Data Collection and 2000 US Census Data

As shown in Table 8, the Bank extended 27.2 percent of indirect automobile loans to low-income borrowers. This performance exceeds the total percentage of low-income households in the assessment area of 24.8 percent. Although the total volume of indirect automobile lending decreased from 2008, the Bank's performance levels in 2009 and 2010 were only slightly lower in terms of lending to low-income borrowers.

In 2009, the Bank extended 27.2 percent of indirect automobile loans to moderate-income borrowers, which compares favorably to the percentage of total moderate-income households at 15.8 percent. The Bank's record of making loans to moderate-income borrowers in both 2008 and 2010 is relatively consistent with its performance in 2009.

Community Development Lending

Community development lending by definition includes loans that have a primary purpose of community development (including affordable housing, services to low- and moderate-income individuals, and activities that promote economic development or that stabilize low- or moderate-income geographies), and which have not been reported or collected by the Bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a loan for a multi-family dwelling.

The institution'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 demonstrated in community development lending.

Eastern Bank continued to demonstrate its leadership in community development lending throughout the current evaluation period. Between June 25, 2007 and March 31, 2011, the Bank made 78 community development loans totaling \$68.2 million. This represents an increase of approximately 11.6 percent in number of loans noted in the previous review, although total dollar volume decreased by 13.6 percent. These loans have significantly impacted the communities to which they are targeted, and are responsive to assessment area credit needs. Overall, the Bank's record of making community development loans is excellent. Table 9 illustrates the number and dollar volume of loans by community development purpose.

Table 9 - Qualified Community Development Lending Activity		
Loan Description	Number of Loans	Dollar Volume of Loans (000s)
Multi-Family Affordable Housing	13	10,240
To Non-profit Organizations providing Community Development Services	65	57,969
Grand Total	78	\$68,209

Source: Institution records

The number and dollar volume of activity varies by year throughout the review period. The following sections provide a chronological narrative of community development lending on a calendar year basis for 2008, 2009, and 2010 as well as partial year data for 2007 and 2011.

2007

Eastern Bank extended 11 community development loans totaling \$5.4 million between June 25, 2007 and December 31, 2007. Of the 11 loans, 5 were provided to organizations for the purpose of providing affordable housing, representing approximately one half of the dollar volume at \$2.7 million. A sample of the Bank's qualified community development loans made in 2007 is provided below.

- In July 2007, the Bank granted a \$1.8 million refinance loan for a 76-unit group housing project in Springfield, Massachusetts. Under program guidelines, 15 units (20 percent) are reserved as affordable housing for low-income individuals. However, as of the 2009 rent roll, 80 percent of the property was rented by tenants who receive vouchers through HUD's Section 8 program.

- In July 2007, Eastern Bank extended a \$345,000 loan to a private, non-profit organization to purchase and renovate affordable group housing in Beverly, Massachusetts that serves the needs of developmentally disabled adults through day and residential programs. The organization provides contracted services through the state Department of Mental Retardation and the state Division of Medical Assistance.

2008

Eastern Bank made 15 community development loans totaling \$15.1 million in 2008. The following list outlines a sample of community development loans extended that year.

- In January 2008, the Bank provided a \$2 million line of credit for working capital to a non-profit agency in Quincy, Massachusetts, that specializes in services for the disabled. A majority of the agency's clients are either low- or moderate-income, or are eligible for the Fiscal Intermediary Program in conjunction with the Executive Office of Health and Human Services/Office of Medicaid
- In November 2008, the Bank renewed a \$3.3 million line of credit to a community services agency in Quincy. The agency is dedicated to improving the quality of life for all through programs that promote healthy spirit, mind, and body for people of all ages and abilities, from all walks of life and economic circumstances, particularly individuals and families of low- or moderate-income.

2009

Eastern Bank extended 17 community development loans totaling \$18.8 million in 2009, which represents an annual dollar volume increase of 20.8 percent over 2008. The following points illustrate a sample of the Bank's community development lending activity in 2009.

- In March 2009, Eastern Bank renewed a commitment of \$8.5 million to a development finance corporation with respect to a loan pool participation agreement for the construction of a 135-unit, affordable housing project in Lowell.
- In March 2009, the Bank extended a \$615,000 term loan to a non-profit organization for a 40B project to construct five affordable single-family homes in Harwich, Massachusetts.
- In June 2009, the Bank renewed a \$1.7 million mortgage to revitalize residential property designated for Section 8 housing. The project qualifies for federal low-income housing tax credits (LIHTC) based on a capital needs assessment that was conducted.

2010

The Bank extended 24 community development loans totaling \$24.4 million in 2010, reflecting a 23 percent increase in dollar volume compared to 2009. Following is a sample of the Bank's community development loans made in 2010.

- In May 2010, Eastern Bank extended a \$1 million loan to a non-profit agency for working capital. The agency provides health and human services to low- and moderate-income individuals and families.
- In August 2010, the Bank renewed a line of credit to a non-profit organization, and increased it to \$4 million. This Quincy organization provides comprehensive rehabilitation programs and transportation services to adolescents and adults with various disabilities, particularly those of low- and moderate-income. Approximately 80 percent of the organization's funding comes from the Commonwealth of Massachusetts and the Federal Government.
- In November 2010, the Bank extended a \$3.2 million loan to construct a new facility for an agency that provides community, health, and human services to low- and moderate-income individuals.

2011

The Bank extended 11 community development loans totaling \$4.4 million during the first quarter of 2011. A sample of the Bank's qualified community development loans made in 2011 is provided below.

- In February 2011, Eastern Bank renewed a \$200,000 working capital line of credit to a social service agency that supports the poor and homeless women in greater Boston by providing daytime services that include meals, medical care, laundry, showers, and a computer/resource center.
- In February 2011, the Bank made a \$450,000 loan for the purchase of a 6-unit apartment building that has 2 units that are government (Boston Housing Authority) subsidized at a rate of 83 percent. The property is also located in a moderate-income census tract.

Innovative or Flexible Lending Practices

The Bank's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) The degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the Bank; and 2) the success of each product in serving low- and moderate-income borrowers or geographies, including the number and dollar volume of loans originated during the review period.

Eastern Bank made extensive use of innovative and flexible lending programs that were responsive to assessment area credit needs. Table 10 illustrates the total number and dollar volume of innovative and flexible lending activity throughout the evaluation period of June 25, 2007 through March 31, 2011.

Table 10 - Innovative or Flexible Lending Activity by Program		
Program Type	Number of Loans	Dollar Volume of Loans (000s)
Residential Loan Programs	2,293	\$292,520
Commercial Loan Programs	598	\$38,533
Total	2,891	\$331,053

Source: Institution records

The number and dollar volume of qualified innovative and flexible loans made throughout the evaluation period vary by year, and are presented by year in Table 11 below.

Table 11 - Innovative or Flexible Lending Activity by Year		
Year	Number of Loans	Dollar Volume of Loans (000s)
2007 (6/25/2007-12/31/2007)	203	\$25,071
2008	583	\$74,614
2009	946	\$119,763
2010	1,017	\$99,115
2011 (1/1/2011 – 3/31/2011)	142	\$12,490
Total	2,891	\$331,053

Source: Institution records.

As illustrated in Table 11, the most substantial increase in innovative and flexible lending activity occurred between 2008 and 2009, when the number of loans nearly doubled. The significantly increasing trend between 2008 and 2009 demonstrated Eastern Bank's established record of using innovative and flexible lending programs to serve low- and moderate-income borrowers and geographies as well as the area's small businesses. The primary contributing factors to this increase in activity are the Bank's FHA and SBA loan activity was relatively higher in 2009 than in 2008. Overall, Eastern Bank made excellent use of innovative or flexible lending programs throughout the evaluation period. The following sections highlight a sample of the residential and commercial loan programs offered by the Bank.

Residential Loan Programs

Massachusetts Housing Finance Agency (MHFA)

Through the MHFA, the Bank granted mortgages to first-time homebuyers for the purchase of owner-occupied, 1-4 family properties and condominiums. The program features low down payments and below market interest rates. For graduates of MHFA-

approved home buyer counseling, housing-to-income and debt-to-income ratios of up to 29 percent and 41 percent, respectively, are allowed. Throughout the evaluation period, Eastern Bank made 124 loans totaling \$22.9 million through various MHFA programs.

Massachusetts Housing Partnership (MHP)

Programs offered through MHP include a first mortgage and a “Soft Second Loan Program,” designed to assist low- and moderate-income first-time homebuyers in qualifying for a home purchase loan without having to obtain private mortgage insurance. Borrowers must complete an approved first-time homebuyer course and occupy the subject property, which must be located in a participating community. A maximum loan-to-value ratio of 97 percent is structured with a first mortgage of 77 percent and a “soft second” mortgage of 20 percent or \$20,000, whichever is greater. The second mortgage is interest only for the first 10 years. Interest payments may be partially subsidized with MHP funds if the housing-to-income ratio exceeds 28 percent. Eastern Bank made 372 first and second mortgages totaling \$34.5 million through these MHP programs during the timeframe under review.

Federal Housing Administration (FHA)

Eastern Bank participated in fixed-rate and adjustable-rate home mortgage loan programs through the FHA. These programs offer 100 percent financing of 1-4 family, owner-occupied residences and condominiums to low- and moderate-income homebuyers and have flexible underwriting standards. The institution extended 90 FHA home mortgages totaling \$22.0 million during the review period.

Federal National Mortgage Association (FNMA)

The Bank offered FNMA Flexible 97 and Flexible 100 loan programs, which are available to homebuyers who may not otherwise qualify for home mortgage loans. These programs are designed to provide fixed-rate financing for single-family, owner-occupied residences; offer terms between 15 and 30 years; and allow an expanded total debt-to-income ratio of up to 41 percent. Maximum loan-to-value ratios range between 97 and 105 percent depending on the specific program. Throughout the evaluation period, Eastern Bank made 8 loans totaling \$1.8 million through the FNMA flexible loan programs.

Homeowner Options for Massachusetts Elders Reverse Mortgage Program

This program offered reverse annuity mortgages that allow elderly homeowners with limited income to remain in their homes. The Bank originated 7 loans totaling \$1.9 million during the review period while not charging any fees for counseling services.

Commercial Loan Programs

Small Business Administration (SBA)

Eastern Bank is designated as an SBA *Preferred Lender*, which enables the institution to process SBA loans in an expedited fashion. The Bank participated in the SBA Low Doc, 504 Certified Development Corporation (CDC), and 7(a) loan guaranty programs. The

504 CDC program provides small businesses with long-term, fixed-rate financing for major fixed assets such as land and buildings. Projects generally involve 50 percent participation by a financial institution, 40 percent by a CDC, and a 10 percent minimum equity contribution from the small business. The 7(a) program provides financing for a diverse variety of credit needs for small businesses that may not otherwise possess the ability to secure credit. Eastern Bank extended 597 SBA loans totaling \$38.5 million throughout the evaluation period. In 2010, Eastern Bank was ranked by the SBA as the number one SBA lender in Massachusetts for the second consecutive year, and the number one SBA lender in New England. According to the SBA, the Bank's 320 SBA loans in fiscal year 2010 helped to create 414 jobs and retain 1,392 jobs.

Massachusetts Business Development Corporation (MBDC) Capital Access Program

The MBDC Capital Access Program is designed to help secure financing for small businesses that may not meet conventional underwriting criteria. The program provides guarantees for loans less than \$500,000 to businesses with annual revenues of up to \$5 million. A loan loss reserve fund is administered by the MBDC to provide guarantees against potential loss. Throughout the period reviewed, Eastern Bank made one loan totaling \$57,000 under the MBDC Capital Access Program.

INVESTMENT TEST

The Investment Test evaluates the Bank's record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the Bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community development purposes include those that either: 1) provide affordable housing for low- or moderate- income individuals or areas; 2) provide community services targeting low- or moderate-income individuals or areas; 3) promote economic development by financing small businesses; or 4) revitalize or stabilize low- or moderate-income geographies. Activities considered under the Lending or Service Test may not be considered under the Investment Test.

The Bank's Investment Test performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors. In accordance with the CRA regulation, this evaluation considers qualified investments acquired or made since the previous CRA evaluation as well as those made in prior periods and still held by the institution.

The Bank's Investment Test performance is "**Outstanding.**" The level and complexity of qualified investments and donations is excellent; however, investments are limited in complexity and are routinely provided by other investors. The Bank's qualified investments have community development purposes that benefit communities throughout the entire assessment area.

Qualified Investments

The amount of the Bank's total qualified investments, commitments, and grants is \$42,445,909. This total includes \$16,110,203 in new investments, \$20,998,768 in prior period investments still held by the Institution, and \$5,336,938 in qualified donations. Excluding qualified donations, as these were made by the Eastern Bank Charitable Foundation ("EBCF"), the Bank's qualified investments totaling \$37,108,971 represented approximately 6.1 percent of Tier 1 capital as of March 31, 2011. This ratio declined since the prior evaluation, at which time the ratio of investments (excluding donations and unfunded commitments) was 7.5 percent. It is noted, however, that as of the prior evaluation, a significant majority of the Bank's investments were made in prior periods at 78.9 percent; whereas, this ratio demonstrated a positive trend during the current review period, declining to 56.6 percent. Furthermore, new investments increased from \$10.4 million during the prior evaluation period to \$16.1 million for the current review period. In addition, EBCF qualified donations increased by approximately 56.7 percent since the prior CRA evaluation. The volume of investments and donations demonstrates the Bank's commitment to investing in community development initiatives.

New Investments

Mortgage Backed Securities

FNMA offers CRA-targeted securities that are often tailored to meet the community development needs of a financial institution. While not necessarily innovative or complex and routinely provided by other investors, these securities are generally backed by residential mortgages, a substantial majority of which are either located in low- or moderate-income census tracts, or made to low- or moderate-income borrowers.

During the third quarter of 2007, Eastern Bank purchased FNMA MBS totaling \$15.8 million within the assessment area. A review of the underlying mortgages revealed that all borrowers were of low- or moderate-income. Eastern Bank subsequently sold these securities on August 13, 2009.

Massachusetts Business Development Corporation

In June 2007, Eastern Bank issued a 5 year, Series VV bond for \$300,520. The purpose of the bond was to provide capital financing through loans and investments in new business and industry in Massachusetts and to rehabilitate and assist existing business to promote economic stability. The bond is set to mature in June 2012.

Prior Period Investments

The Lowell Downtown Venture Fund

The City of Lowell's Division of Planning and Development and the Office of the City Manager created a loan pool for new retail stores and restaurants located in Lowell. Several financial institutions were asked to participate. The pool was developed to provide an incentive for entrepreneurs who have experienced difficulty obtaining sufficient or affordable financing elsewhere to either upgrade or locate their businesses in downtown Lowell, where both low- and moderate-income census tracts are located. The pool is available to existing and start-up restaurants and retailers in downtown Lowell. As of March 31, 2011 the book value of this investment was \$118,325.

Malden YMCA

On March 7, 2005, Eastern Bank issued a bond in the amount of \$5 million to the Malden YMCA to construct a new facility. The bond is given community development consideration based on the fact that several of the YMCA's programs target low- and moderate-income families. These programs include after-school programs and summer camps, for which numerous participants receive subsidies or reduced fees. While the percentage of low- and moderate-income members and program participants may be below 50 percent, it is clear that providing access to their facilities and programs is an integral part of this YMCA's mission. It is noted that this YMCA is located within a moderate-income census tract, and a majority of families in Malden are either low- or moderate-income. The book value as of March 31, 2011 was \$4,515,804.

South Shore YMCA

In 1998, Eastern Bank issued an industrial revenue bond in the amount \$4.5 million, with a 20-year maturity, to refinance an existing construction loan for a facility in Quincy and to purchase and rehabilitate a property in Hanover. In 2003, Eastern Bank issued two additional bonds, totaling \$5.5 million, with 20-year maturities, for the purpose of building an addition to a facility in Hanover and making improvements to a summer camp facility in Sandwich. As of March 31, 2011, the combined current book value of the three bonds was \$5,832,668.

Massachusetts Housing Equity Fund (MHEF)

Low-Income Housing Tax Credits (LIHTC)

In 1998, 1999, 2000, 2001, and 2007, Eastern Bank committed to equity investments totaling \$15,800,000 to the MHEF. The funds acquire interest in various limited partnerships or limited liability companies that are involved in the rehabilitation of existing multi-family or other apartment rental housing, or the development of additional low-income housing projects throughout Massachusetts using the LIHTC program. The book value as of March 31, 2011 was \$4,062,318.

Road to Responsibility, Inc

On June 1, 2000, the former Plymouth Savings Bank, acquired by the Bank in 2005, invested \$5 million in an Industrial Development Tax-Free bond that provides below-market rate financing for this non-profit agency that provides developmentally or physically disabled clients with residential quarters, workshops, training, and treatment

facilities throughout southeastern Massachusetts. As of March 31, 2011, the current book value was \$1,777,647.

Sandwich Housing Authority, Osprey Lane

On June 7, 2002, the former Plymouth Savings Bank issued a \$1.5 million bond, representing a 45 percent interest in the Osprey Lane Limited Partnership. This partnership acquired an interest in the development of the Sandwich Housing Authority Osprey Lane affordable housing project, which consists of 58 affordable rental units. The project was financed through the Massachusetts LIHTC program. The current book value as of March 31, 2011 was \$381,175.

Massachusetts Housing Investment Corporation (MHIC) Limited Liability Company (LLC) Loan Pool

On April 20, 2001, Eastern Bank made an equity investment of \$750,000 in the MHIC LLC Loan Pool. MHIC serves as an independent funding entity, making loans and assisting in the placement of tax credit equity investments. After converting its existing loan pool to an LLC in late 2000, member equity investments in the LLC can be used as a flexible capital base with which MHIC can provide creative financing products designed to serve unmet affordable housing and community development needs and complement financing already available in the market place. Loans are extended to both non-profit and for-profit borrowers to finance new construction, acquisition, and refinancing of existing loans for the purpose of providing affordable housing. In most cases, loans are made for projects that would not otherwise be eligible to receive financing. Projects are eligible for financing if they meet at least one of the following criteria: 1) at least 20 percent of the units in the property are affordable to low-income households; 2) the property is located in the target investment area; or 3) the property will meet otherwise unmet housing needs. In its 17 year history MHIC's loan pool program has made 130 loans totaling \$225 million to finance the development of over 5,000 units of affordable housing. As of March 31, 2011, the book value of the Bank's investment was \$950,000.

Massachusetts Housing Investment Corporation (MHIC) New Markets Funds I, II, and III

Between May 2004 and January 2007, the Bank made investments in the various MHIC New Market Funds, described as follows. The purpose of each fund is similar, and is described in detail in the following paragraph.

On May 4, 2004, Eastern Bank made a \$1 million investment in the MHIC New Markets Fund I, LLC, which is a pooled investment established and managed by the MHIC. The Fund uses its investment proceeds to make equity investments in entities that are actively conducting business within low-income communities of Massachusetts, thereby assisting in redevelopment of economically disadvantaged neighborhoods throughout the Commonwealth of Massachusetts. As of March 31, 2011, the book value of the Bank's investment was \$145,079.

On December 29, 2005, Eastern Bank made a \$2 million investment in the MHIC New Market Fund II, LLC. As of March 31, 2011, the book value of the Bank's investment stood at \$779,309.

On January 15, 2007, Eastern Bank made a \$2 million investment in the MHIC New Market Fund III, LLC. As of March 31, 2011, the book value of the Bank's investment was \$1,078,081.

Boston Community Loan Fund

On June 27, 2002, Eastern Bank invested \$500,000 in this fund that makes loans to non-profit entities for the purpose of preserving or creating affordable housing. The book value of the investment as of March 31, 2011, was \$479,876.

Nuestra Commercial Markets Fund LLC

On December 8, 2003, Eastern Bank committed to provide \$100,000 in investment capital to this entity, which has a purpose of providing funds to help low-income business owners purchase commercial properties in low-income areas of Boston. Funding is primarily in the form of loans to entities that are "Qualified Active Low-Income Community Businesses." The fund may also make loans or investments to other entities that will in turn provide assistance in low-income communities, or to low-income individuals. As of March 31, 2011, the current book value was \$44,412.

SEED Ventures, Limited Partnership

In October 2001, the Bank made a capital commitment of \$250,000 to Seed Ventures, LP. The organization provides subordinated debt and equity for start-up and expanding businesses located primarily in Southeastern Massachusetts. As of March 31, 2011, the current book value was \$75,787.

Manchester/12 Summer Street

Wainwright Bank, which was acquired by Eastern Bank, made an equity investment in this project, led by the Manchester Housing Authority, for the renovation of a multi-family rental development, which includes 21 units of affordable housing. The book value of this investment as of March 31, 2011 was \$235,573.

Massachusetts Business Development Corporation (MBDC)

MassBusiness Capital Fund II, LLC

On October 20, 2000, Eastern Bank committed \$500,000 to the MassBusiness Capital Fund II (Fund). The objective of the Fund is to provide a long-term capital delivery mechanism to established small businesses, generally those with \$10 million or less in annual sales and in need of capital growth. In addition, the Fund seeks to stimulate economic growth and promote job creation and retention throughout the Commonwealth. The Fund makes investments, primarily in established companies, in the form of mezzanine instruments ranging from \$250,000 to \$750,000. The total investment in any one company generally does not exceed \$1 million. MBDC administers the Fund, which is structured as a Limited Partnership. MBDC is the General Partner and invested \$1 million. The Fund offered, in a private placement, \$12,000,000 of private limited partnership interests to investors. There are thirteen

Limited Partners, including individual and institutional investors, each committing between \$200,000 and \$1 million. As of March 31, 2011, the current book value of the Bank's total investment in this fund was \$133,873.

Massachusetts Business Development Corporation (MBDC) – MassBusiness Capital Fund III, LLC

On May 9, 2006, Eastern Bank committed \$1 million to the Mass Business Capital Fund III, LLC (Fund). The objective of the Fund is to provide a long-term capital delivery mechanism to established small businesses, generally those with \$100,000 or less in annual sales and in need for capital growth. The Fund makes investments, primarily in established companies, in the form of mezzanine instruments in the \$750,000-\$2.5 million range. As of March 31, 2011, the book value was \$388,841.

Charitable Contributions

The vast majority of the Bank's grants are made through the EBCF. All contributions qualified for CRA purposes were made through the EBCF.

The EBCF was established for the purpose of supporting community, charitable, educational, and other benevolent organizations. Annually, Eastern Bank contributes 10 percent of pre-tax net operating income to the EBCF.

EBCF extended over \$10 million in total grants between April 1, 2007 and March 31, 2011, which further demonstrates the Bank's commitment to supporting non-profit organizations with diverse missions and goals. Of this amount, those that are considered qualified grants totaled \$5,336,938 between April 1, 2007 and March 31, 2011.

The Bank extended numerous grants throughout its entire assessment area. A sample of the of EBCF's qualified community development grants are highlighted below.

Community Minority Cultural Center (CMCC)

CMCC is a minority non-profit community development corporation located in Lynn, which was created in 1972. The organization serves the needs of the African American community and other immigrant groups such as Latinos, Russians, and Asians to name a few. CMCC advocates on a variety of issues, including the development of affordable housing, and provides programs targeted toward the needs of low- and moderate-income individuals and families.

Mission of Deeds, Inc.

This organization's mission is to provide furniture and home furnishings to low- and moderate-income individuals that are beginning anew after a personal tragedy or emergency.

Bottom Line

This organization was founded in Boston in 1997 to help disadvantaged students get into college, graduate, and succeed in life. This mission is achieved by providing low-income and first generation students with one-on-one guidance and support from college application to graduation.

Citizen Schools, Inc.

This organization's mission is to change the life trajectories of low-income students. Citizen Schools operates "Expanded Learning Time" programs in 9 middle schools in Boston, Malden, New Bedford, and Revere, serving over 1,200 students.

Habitat for Humanity (Several local affiliations)

This organization's mission is to provide decent and affordable housing to families who would otherwise be forced by low-income circumstances to live in substandard housing.

Heart of Taunton, Inc.

This is a non-profit downtown revitalization organization, dedicated to Taunton's economic, physical, and cultural improvement. The Bank extended several grants to this organization.

My Brother's Keeper

My Brother's Keeper is a Christian ministry located in the Town of Easton that delivers furniture, food, and Christmas gifts at no charge to families in need.

Quincy Medical Center

Quincy Medical Center is a private, non-profit, community hospital affiliated with Boston Medical Center and the Boston University School of Medicine. The Bank has sponsored annual Cancer Walks for the benefit of the Marie Curry Fund, which enables low-income patients to receive cancer treatment.

My Brother's Table

Created to serve free nutritious food to homeless and developmentally disabled individuals, as well as those living in boarding houses in Lynn, this organization provides meals to an average of 200 people daily. The mission of this organization is to feed the hungry and to serve everyone in need regardless of race, color, creed, or sex. The Bank made several contributions to this organization throughout the evaluation period.

YMCA of Greater Lynn

The YMCA of Greater Lynn is a non-profit organization located in a low-income census tract in Lynn. Established in 1955 on 13 acres of land leased from Eastman-Gelatine, the YMCA provides programs for all ages supporting values that build positive character development, respect, caring, responsibility, and honesty.

Friends of Boston Homeless

The mission of this organization is to eliminate homelessness in Boston.

United Way

The mission of the United Way is to bring communities together and help improve people's lives and strengthen neighborhoods. The Bank continues to make several sizable contributions to the United Way, specifically targeted toward programs that benefit low- and moderate-income individuals or census tracts.

SERVICE TEST

The Service Test evaluates a bank's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a bank's systems for delivering retail banking services and the extent and innovativeness of its community development initiatives.

The Bank's Service Test performance is rated "**Outstanding.**" The Bank's retail banking services are excellent. The Bank's branch locations and record of opening and closing branches reflects a good penetration in low- and moderate-income geographies. The Bank offers a variety of alternative retail banking services, including services targeted toward low- and moderate-income individuals. The Bank has taken a leadership role in providing community development services throughout its assessment area by involvement in numerous financial education events and seminars targeted toward the needs of low- and moderate-income individuals. Bank employees of all levels have contributed technical and financial expertise to several affordable housing, economic development, and community organizations throughout the assessment area.

Retail Banking Services

The effectiveness of a Bank's system for delivering retail banking services is evaluated pursuant to the following criteria: 1) the distribution of the Bank's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate- income geographies or that primarily serve low- or moderate- income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

Distribution of Branches

Eastern Bank operates 94 full-service branch offices and 1 limited service branch. The number of the branch locations has increased significantly since the previous evaluation. Eastern Bank's merger with MASSBANK and acquisition of Wainwright Bank added 26 full-service branches throughout the Greater Boston area.

Table 12 illustrates the distribution of Eastern Bank branches by income level of census tract, compared to the distribution of census tracts by income level.

Table 12 – Distribution of Branch Offices by Income Category				
Census Tract Income Category	Census Tracts in Assessment Area		Bank Offices by Tract Location	
	#	%	#	%
Low	70	8.2	9	9.5
Moderate	196	22.8	11	11.6
Middle	384	44.8	56	58.9
Upper	206	24.0	19	20.0
N/A	2	0.2	0	0.0
Total	858	100.0	95	100.0

As demonstrated in Table 12, Eastern Bank operates nine offices in low-income census tracts. The nine locations in low-income census tracts include the Bank’s headquarters in downtown Boston (although retail services are not available at that location) as well as retail branches in Boston (2), Cambridge, Chelsea, Hyannis, Lowell (2), and Lynn. The eleven branches in moderate-income census tracts are located in Cambridge (2), East Wareham, Everett, Lynn, Malden, Medford, Plymouth, Salem (2), and Wareham.

Hours of Operation

Branch hours are convenient and comparable to other institutions, and vary according to location based on the needs of each individual community. Office hours for the branches generally range from opening as early as 7:00 a.m. to as late as 10:00 a.m., and closing between 4:00 p.m. and 5:00 p.m. A majority of branches offer extended evening hours a minimum of one day each week as well as Saturday hours. Additionally, a small portion of branches also offer banking hours on Sunday. Of those, one is located in a low-income census tract, and two are located in moderate-income census tracts. In addition, many of the Bank’s branches offer drive-up transaction windows, which further increase access to the Bank’s services.

Record of Opening and Closing Branches

The Bank closed 12 branches since the previous evaluation. Two of these branches were located in low-income census tracts, two were in moderate-income census tracts, four were in middle-income census tracts, and four were in upper-income census tracts. On February 27, 2009, the Bank closed its Federal Street branch located at 101 Federal Street in Boston, which was located in a low-income census tract. On December 13, 2008, the Bank closed its Malden-Broadway branch, located at 88 Broadway in Malden, in a moderate-income census tract. Each of the two branches was closed due to low activity; retail service availability was not adversely impacted in those areas, particularly with regard to the low-income census tract in Boston. With the acquisition of Wainwright, Eastern Bank now operates two more retail branch locations in downtown Boston. The Bank maintains a Branch Closing Policy that outlines procedures that must be followed before closing any branches.

The Bank also added 18 offices to the branch system in Andover, Boston (5), Brookline, Cambridge (4), Chelsea, Hyannis, Newton, Sharon, Somerville, South Yarmouth, and Watertown. Four of these are located in a low-income census tract, two are in moderate-income census tracts, six are in middle-income census tracts, and six are in upper-income census tracts. Twelve of the branches opened since the previous evaluation are converted Wainwright branches.

Alternative Delivery Systems

In addition to branch banking, Eastern Bank offers the following alternative delivery systems that enhance customer accessibility to services regardless of geographic location.

ATMs

The Bank maintains ATMs linked to Cirrus, NYCE and Plus networks. ATMs are located at each branch location, and all are available 24 hours a day, with the exception of the branches located inside supermarkets. The Bank also provides ATM service at seven stand-alone locations, two of which also accept deposits.

The Bank is also a member of the NYCE Corporation Selective Surcharging Program, called SUM. The SUM Program is designed to provide consumers with surcharge-free banking alternatives throughout a broad geographic area of the Commonwealth of Massachusetts.

Debit Cards

The Bank offers MasterCard and MasterCard Gold debit cards, which allow customers to perform all of the same functions offered by ATM cards. This gives cardholder the ability to make point-of-sale purchases; funds directly withdrawn from their checking account. The cards can be used to purchase goods and services at any merchant displaying the MasterCard logo.

Direct Deposit

The Bank offers direct deposit services. Customers can arrange to have their paycheck, Federal benefits payments, and certain other recurring federal payments deposited directly into their checking or savings account. Direct deposit services eliminate concerns over lost or stolen checks, provide for the immediate use of funds, and reduce the number of trips a consumer must make to the Bank.

Telephone Service

The 24-hour, toll-free, automated telephone service provides account information, account transfer capabilities, current rate information, personalized customer service and account opening capabilities. In addition, the Bank provides TDD/TTY service for the hearing impaired.

Eastern Bank ONLINE

The Bank's website, www.easternbank.com, provides general information about the Bank, including an overview of retail and commercial deposit and loan products offered, branch locations and hours, online banking services, interest rate information, as well as information regarding insurance and trust services.

Eastern HomeConnect

This product is available to all Eastern Bank customers who have a checking account. Customers can apply online and submit an enrollment form electronically or in person at any branch. Eastern HomeConnect allows customers to view account balances and transactions; transfer funds; make electronic bill payments; view pending bill payments;

set up recurring, fixed amount bill payments; change or cancel pending bill payments; view an online statement; establish expense and income categories for banking transactions; and create reports to display transactions by payee or category. HomeConnect is free for Eastern Bank customers.

Mobile Banking

Customers signed up for HomeConnect are also able to sign up for Eastern Bank's mobile banking. Mobile banking allows customers to use their mobile phone or wireless device to check their balances; pay bills; make transfers; and find Eastern Bank branch locations, ATMs, and surcharge-free ATMs.

Eastern Bank Online - Intuit Quicken

This product is available to all Eastern Bank customers who maintain a checking account. Customers can apply online and submit an enrollment form electronically or in person at any branch. Eastern Bank Online allows customers to perform various functions such as: download transaction activity on your Eastern Bank accounts, establish expense and income categories for your banking transactions, transfer funds, make electronic bill payments, view pending bill payments, set up recurring fixed-amount bill payments such as your mortgage, change or cancel pending bill payments, and create reports and graphs. The product offers a direct interface with Quicken, a personal financial management software product that significantly reduces the time-consuming process of categorizing and reconciling unmatched items when downloading account information. Following a free three-month trial period, a \$10.00 monthly service fee is automatically deducted from the customer's account for online banking, including online bill payment.

CommunityRoom.net

This product is available to non-profit community organizations and provides these organizations with the opportunity to have a hosted web site with on-line donation capabilities, which they would otherwise not be able to afford. All contributions made through the web site are deposited into an Eastern Bank account in the name of the non-profit organization, with a standard processing fee charged for each transaction. This product originated at Wainwright, and was continued by Eastern upon the acquisition of the bank.

Retail Services Tailored to Meet Specific Needs

The following sections outline additional services offered by the Bank that are tailored to meet the needs of communities throughout its assessment area, particularly low- and moderate-income geographies.

Basic Banking Program

Eastern Bank is a participant in the Massachusetts Community and Banking Council's (MCBC) Basic Banking Program. The purpose of the program is to encourage financial institutions to offer low-cost checking and savings accounts for people with modest incomes. Eastern Bank meets the Basic Banking for Massachusetts guidelines for checking accounts. The Bank offers a free checking account with no fees or minimum balance requirements.

Interest on Lawyers Trust Accounts (IOLTAs)

Under an agreement with the Massachusetts Bar Association, interest paid on these accounts is used to provide legal assistance to indigent, low- and moderate-income individuals. IOLTA-funded programs of Massachusetts provide legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients.

Community Development Services

The Bank's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate- income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

Educational Services and Seminars

Eastern Bank is a designated member of the Money Smart Alliance, which was established to recognize the efforts of people and companies who share the FDIC's commitment to actively build personal financial skills of adults and teenagers. The Bank invested in a training program for employees utilizing the FDIC's Money Smart program. In June 2010, the Bank sponsored a "Train-the-Trainer" session, which included training by the FDIC. The purpose was to provide guidance to various non-profit agencies on how to deliver quality financial education. In 2010 alone, Bank employees conducted ten classes for various community-based organizations and schools by Eastern Bank certified facilitators.

During the evaluation period, the Bank was involved in 85 homebuyer seminars, 55 financial literacy training events, and 13 foreclosure prevention seminars. These events were offered through community organizations including: Allston Brighton Community Development Corporation; Chelsea Neighborhood Developers; Gloucester Housing Authority; ProHome, Inc.; Marshfield Affordable Housing; Massachusetts Affordable Housing Alliance, Plymouth Redevelopment Authority, Quincy Housing Authority, South Shore Housing, and Woburn Housing Authority. In the past year alone, representatives from the Bank's mortgage banking area conducted 18 first time homebuyer seminars for various non-profit agencies.

Educational outreach at this level indicates the Bank's dedication to raising the degree of financial literacy in the communities it serves.

Contribution of Financial Expertise to Community Organizations

Eastern Bank's Directors, Officers, and employees at various levels actively sought opportunities for participation in, and were actively involved with, several community development organizations throughout the assessment area as representatives of the Bank. Through various levels of involvement, Bank personnel lent their technical and

financial expertise, experience, and judgment to these organizations. The following section illustrates a sample of the high level of Bank employee involvement with numerous community organizations.

Massachusetts Housing Investment Corporation

The mission of this organization is to be an innovative financier of affordable housing and community development throughout Massachusetts. The organization provides housing to low-income individuals. The Bank has a number of employees who were active in this organization, including a Senior Vice President who served as Director and Chair of the New Market Tax Credit Advisory Committee during the review period.

South Eastern Economic Development Corporation (SEED)

SEED is a non-profit organization established to improve the economy of southeastern Massachusetts by assisting small businesses to start-up, expand, and create new jobs. A Senior Vice President of Eastern Bank served as a member of the Board of Directors.

Massachusetts Mortgage Bankers Charitable Foundation (Foundation)

The Foundation provides funding in the form of grants to other non-profit organizations that promote financial literacy and affordable housing. An Executive Vice President served as President of the Board of Directors.

Massachusetts Community and Banking Council

MCBC was established to bring together community organizations and financial institutions to affect positive change in the availability of credit and financial services across Massachusetts. This is accomplished by encouraging community investment in low- or moderate-income and minority neighborhoods, as well as providing research and assistance in these neighborhoods. A Vice President of Eastern Bank served on the Board of Directors.

South Shore Workforce Investment Board (WIB)

Located in Quincy, this non-profit corporation works to ensure that the region's employment needs are met by a vibrant, educated, trained, skilled and resourceful workforce. The South Shore WIB promotes job training, skills training, and activities for regional workforce on the South Shore. A Senior Vice President of Eastern Bank served as Chairman of the Board.

Massachusetts Housing Partnership

This entity provides low-interest, long-term loans and commitments for the financing of affordable housing developments in Massachusetts. An Executive Vice President and a Vice President served on the Loan Committee.

Falmouth Housing Trust

This organization works to enhance the Town of Falmouth by promoting and undertaking the development and maintenance of affordable housing for the benefit of low- and moderate-income individuals in Falmouth and adjacent towns. A Vice President served as Treasurer.

Lowell Small Business Assistance Center

This non-profit organization, focused on economic development, seeks to assist ethnically and economically diverse communities in creating, sustaining, and expanding small businesses and entrepreneurial ventures. A Vice President of Eastern Bank served on the Loan Review Committee of this organization.

North Shore Action Programs

This organization provides innovative social services that help low-income families and individuals find the stability they need to rise out of poverty. Program areas include homelessness prevention, energy services, education and training, economic stability, and homecare services. A Vice President of Eastern Bank served as a member of the Board of Directors.

Jamaica Plain Neighborhood Development Corporation

This organization promotes equitable development and equal opportunity in Jamaica Plain and adjacent neighborhoods through affordable housing, organizing, and economic opportunity initiatives that improve the lives of low- and moderate-income individuals. A Vice President was a Board Member and served on the Finance Committee during the evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with fair lending laws and regulations was examined. No indication of discriminatory or other illegal credit practices inconsistent with helping to meet community and assessment area credit needs were identified during the evaluation.

METROPOLITAN STATISTICAL AREA ANALYSES

As stated previously, a description of the Bank's CRA-related activities must also be provided for each metropolitan area in which the Bank maintains a branch office. Ratings are not assigned under the Lending, Investment, and Service Tests based on individual performance in each MSA.

The following discussions consider the expansion of the Bank's branch network and the changes to the assessment area that took place during the evaluation period. Therefore, in the sections that follow, there are separate descriptions and analyses for the Boston-Cambridge-Quincy, MA-NH MSA/CBSA, the Barnstable, MA MSA, and the Providence-New Bedford-Fall River, RI-MA MSA. The previous *Conclusions with Respect to Performance Tests* section includes discussions of the Bank's performance by loan purpose; however, the following sections refer to the Bank's lending in each area for all home mortgage loan purposes combined.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BOSTON-CAMBRIDGE-QUINCY, MA-NH MSA/CBSA #14480

Of Eastern Bank's 95-branch network, 87 branch offices (91.6 percent) are located within this MSA portion of the designated assessment area.

As previously discussed in the *Description of Assessment Area* section, the Boston-Cambridge-Quincy, MA-NH MSA/CBSA encompasses the following three Metropolitan Divisions (MDs): the Boston-Quincy, MA MD; the Cambridge-Newton-Framingham, MA MD; and the Essex County, MA MD. Of all 141 cities and towns that Eastern Bank has designated as its assessment area, 123 are within this MSA/CBSA. These 123 cities and towns are composed of 788 census tracts, of which 68 are low-income, 190 are moderate-income, 344 are middle-income, and 184 are upper-income census tracts. Two census tracts do not have income level designations.

Total population of the area is 3,704,658, nearly half of which reside within middle-income census tracts. There are 1,426,822 households, of which 25.1 percent are low-income, 15.6 percent are moderate-income, 18.6 percent are middle-income, and 40.7 percent are upper-income households. The distribution of the area's 901,373 families by income level is comparable to the overall distribution of area households. Furthermore, of the area's 833,869 owner-occupied housing units, 1.7 percent are located in low-income geographies, 14.8 percent in moderate-income geographies, 51.5 percent in middle-income geographies, and 32.0 percent are located within the area's upper-income geographies. The distribution of the 270,413 businesses throughout the area indicates that 6.9 percent are in low-income geographies, 16.2 percent in moderate-income geographies, 44.0 percent in middle-income geographies, and 32.9 percent are in upper-income geographies. Businesses in this MSA/CBSA represent 90.6 percent of all businesses throughout the Bank's designated assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE BOSTON-CAMBRIDGE-QUINCY, MA-NH MSA/CBSA #14480

LENDING TEST

Home Mortgage Lending

Of all home mortgage loans Eastern Bank extended in their assessment area in 2009, 1,695, or 84.4 percent, were within this MSA/CBSA. Total dollar volume during the same timeframe was \$389.5 million, representing 83.9 percent of home mortgage activity within the assessment area. The level of lending is slightly lower than the percentage of assessment area census tracts (91.8 percent) and population (91.1 percent) represented within this MSA/CBSA. An overview that includes activity for 2008 and 2010 indicates an increasing trend in the percentage of loans originated in this MSA/CBSA over the three years.

The geographic distribution of loans reflects a penetration throughout low-income census tracts that is slightly less than the distribution of owner-occupied housing units for all three years and slightly less than the aggregate in 2008 and 2009 in the low-income census tracts. However, for all three years, the penetration throughout moderate-income census tracts essentially equaled the percentage of owner-occupied housing units for all three years reviewed and exceeded the 2008 and 2009 aggregate. The Bank extended 10.6 percent of its home mortgages to low-income borrowers and 24.5 percent to moderate-income borrowers in the area during 2009. Although the record of lending to low-income borrowers is less than the percentage of low-income families in the area, the Bank's percentage of lending to low-income families was twice that of the aggregate lending performance. The Bank's record of lending to moderate-income borrowers at 24.5 percent significantly exceeds the percentage of moderate-income families in the area at 17.8 percent and exceeded the aggregate lending performance of 18.7 percent.

Small Business Lending

The Bank extended 1,222 small business loans totaling \$246.2 million in this MSA in 2009, representing 90.3 percent by number and 93.8 percent by dollar volume of all originations throughout the designated assessment area in 2009. This level of lending is commensurate with the percentage of small businesses and census tracts represented within this portion of the assessment area.

Overall, the distribution of small business loans by income level of census tract is consistent with the Bank's overall performance discussed in the *Conclusions with Respect to Performance Tests* section. Similarly, the penetration of loans to businesses of different sizes and the distribution of loans by loan amount are largely representative of the Bank's overall performance under the small business loan borrower profile criterion.

Indirect Automobile Lending

The Bank extended 4,824 indirect automobile loans totaling \$82.0 million in this area in 2009, representing a significant majority (94.2 percent) of all such loans made throughout the designated assessment area. This level of lending is commensurate with the MSA

percentage of total assessment area households (89.5 percent). The geographic distribution of indirect automobile loans and penetration of loans among borrowers of varying income levels is largely reflective of the Bank's overall performance presented in the *Conclusions with Respect to Performance Tests* section of the evaluation.

Community Development Lending

A majority of the Bank's community development lending activity was of direct benefit to cities and towns within the Boston-Cambridge-Quincy, MA-NH CBSA/MSA segment of the assessment area. Specifically, 67 loans totaling \$47.7 million, or 87.0 percent by number and 70.0 percent by dollar volume of all community development loans, were extended within this MSA. Of total assessment area population, 91.1 percent resides within this MSA. Furthermore, 68 (97.1 percent) of the assessment area's 70 low-income census tracts and 190 (96.4 percent) of the 196 moderate-income census tracts are located within this area. Therefore, the percentage of community development loans in this MSA is somewhat lower than the percentage of population represented and the distribution of low- and moderate-income census tracts.

Innovative or Flexible Lending Products

The Bank's innovative and flexible loan programs are available consistently throughout all MSA areas that are part of the designated assessment area.

INVESTMENT TEST

The Bank made approximately 19.5 percent by dollar volume of its qualified equity and equity-type investments directly within this MSA portion of the assessment area. It is further noted that a majority, at 63.7 percent of the Bank's equity and equity-type investments by dollar volume, were to organizations that serve a broader statewide or regional area that includes this MSA.

SERVICE TEST

The Bank's retail services in this MSA portion of the assessment area are consistent with the Bank's overall performance. Eastern Bank's retail products and services are accessible consistently throughout the entire assessment area through the use of alternative delivery systems and extended business hours. Eastern Bank also provides a proportionate level of community development services dedicated within this MSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BARNSTABLE TOWN, MA MSA #12700

Eastern Bank operates seven branch offices in this MSA portion of the designated assessment area. One branch each is located in Hyannis, Marstons Mills, Mashpee, Sandwich, and Yarmouth; two branches are located in Falmouth.

The Barnstable Town, MA MSA accounts for only seven of the Bank's designated assessment area cities and towns, including Falmouth, Hyannis, Marstons Mills, Mashpee, Sandwich, Teaticket, and Yarmouth. These cities and towns encompass 38 census tracts, of which 2 are low-income, 4 are moderate-income, 25 are middle-income, and 7 are upper-income census tracts.

Total population of the area is 173,064; representing 4.3 percent of the Bank's designated assessment area population. Nearly 75 percent of the area's population resides in middle-income census tracts. There are 72,568 households in the area, of which 21.0 percent are low-income, 16.7 percent are moderate-income, 19.8 percent are middle-income, and 42.5 percent are upper-income. The distribution of the area's 47,918 families by income level is consistent with the household distribution. Furthermore, a significant majority of the area's owner-occupied housing units are located in middle-income census tracts (75.4 percent), while only 0.6 percent is located in low-income census tracts, and 5.1 percent are located in moderate-income census tracts. A total of 15,886 businesses are located in the area, the majority, or 65.1 percent of which, are located in middle-income census geographies. The area's 15,886 businesses represent only 5.3 percent of total businesses throughout the Bank's entire assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE BARNSTABLE TOWN, MA MSA #12700

LENDING TEST

Home Mortgage Lending

Of all home mortgage loans Eastern Bank extended inside the assessment area in 2009, 248 loans totaling \$54.0 million were within this MSA. These figures represent 12.3 percent by number and 11.6 percent by dollar volume of total home mortgage lending activity within the entire assessment area. This level of lending is higher than the percentage of assessment area census tracts (4.4 percent) and the percentage of population (4.3 percent) represented within this MSA.

The geographic distribution of loans in 2009 is slightly lower than the percentage of owner-occupied housing units in the area's low- and moderate-income geographies, but is largely representative of the Bank's overall performance throughout the entire assessment area. However, 2010 showed an increasing trend in both the low- and moderate-income census tracts. The 2008 and 2009 aggregate percentages were only slightly higher. The Bank made 8.5 percent of its home mortgage loans to low-income borrowers in this MSA in 2009. This penetration is lower than the 17.1 percent of families at this income level, but exceeded the aggregate lending performance of 5.2 percent. The Bank demonstrated a slight

increasing trend in this performance over the three years reviewed. The Bank's record of lending to moderate-income borrowers in 2009, at 22.8 percent, exceeds the percentage of area families at this income level, and significantly exceeded the aggregate lending performance of 16.3 percent. Similar performance was noted in 2008 with a slight uptick in 2010.

Small Business Lending

The Bank made 103 small business loans totaling \$11.4 million within this MSA portion of the assessment area in 2009, representing 7.6 percent of total loans made throughout the entire assessment area. This level of lending is slightly higher than the percentage of businesses represented within this MSA at 5.4 percent. The geographic distribution of loans, however, is lower than the percentage of total businesses in both low- and moderate-income census tracts. Since total loan volume in this area is low, it has minimal impact on the Bank's overall performance. The majority (74.1 percent) of small business loans were in amounts less than \$100,000, suggesting that the Bank is meeting the credit needs of this MSA's smallest businesses.

Indirect Automobile Lending

The Bank extended 214 indirect automobile loans totaling \$3.6 million in this MSA in 2009, representing 4.2 percent of total automobile loans extended within the designated assessment area. The number of loans made within low-income census tracts represents 0.9 percent, and 7.0 percent of indirect automobile loans were extended in moderate-income census tracts. This record of lending does not compare favorably against the percentage of area households in these two census tract categories; however, because total indirect automobile lending volume is low at 4.2 percent in this area, it has a nominal impact on the Bank's overall performance. Additionally, the Bank's performance of making indirect automobile loans to low- and moderate income borrowers is slightly higher than the percentage of families at these income levels in this MSA.

Community Development Lending

The Bank made seven community development loans totaling \$6.1 million within this MSA portion of the entire assessment area during the evaluation period. As this MSA represents only 4.3 percent of total assessment area population, and contains only a small number of the designated assessment area's low- and moderate-income census tracts (two and four, respectively), this distribution is reasonable.

Innovative or Flexible Lending Products

The Bank's innovative and flexible loan programs are available consistently throughout all MSAs that are part of the overall designated assessment area.

INVESTMENT TEST

The percentage of qualified donations and investments in this MSA is proportionate when compared to the percentage of total population and census tracts located within this MSA portion of the entire assessment area. The Bank made 16.8 percent of equity and equity-type investments within this MSA.

SERVICE TEST

Eastern Bank provides an adequate level of community development services within this MSA. Eastern Bank's products and services are consistently offered and accessible throughout the entire assessment area. Additionally, the Bank's retail services and business hours within the assessment area portion of this MSA are similar to the Bank's overall performance. The Bank's involvement with more localized community development organizations within this MSA is somewhat limited compared to that of other MSA areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE PROVIDENCE-NEW BEDFORD- FALL RIVER, RI-MA MSA #39300

Of Eastern Bank's 95 branch offices, 1 is located in this MSA portion of the designated assessment area. The branch is located in Taunton.

The assessment area portion of the MSA includes the eleven cities and towns of Acushnet, Berkley, Dighton, Easton, Fairhaven, Freetown, Mansfield, Norton, Raynham, Rehoboth, and Taunton. The area contains 32 census tracts, of which 2 are moderate-income, and 15 each are middle- and upper-income. The area does not include any low-income geographies.

Total population of the eleven cities and towns is 187,352, the majority of which resides within upper-income census tracts. Population within this area represents only 4.6 percent of total assessment area population. There are 68,464 total households in the area, of which 20.6 percent are low-income, 15.0 percent are moderate-income, 19.9 percent are middle-income, and 44.5 percent are upper-income households. Of the 68,464 households in the area, 49,536 are families. On an overall percentage basis, there are fewer low-income families than low-income households, and more middle-income families than middle-income households. Furthermore, over half of the area's owner-occupied housing units are located in upper-income geographies and 42.2 percent are located in middle-income geographies; whereas, only 2.4 percent are located in moderate-income geographies. There are 12,053 businesses in the area, a vast majority of which are located within middle- and upper-income geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE PROVIDENCE-NEW BEDFORD- FALL RIVER, RI-MA MSA #39300

LENDING TEST

Home Mortgage Lending

Eastern Bank made 66 loans totaling \$20.8 million in this MSA portion of the assessment area in 2009. These figures represent only 3.3 percent by number and 4.5 percent by dollar volume of all home mortgage loans the Bank made in the entire assessment area. This level of lending is commensurate with the percentage of population and census tracts represented within this MSA portion of the designated assessment area.

The geographic distribution analysis for this area is limited as there are no low-income census tracts. However, the percentage of loans made in moderate-income census tracts over the three years reviewed is fairly consistent with the percentage of owner-occupied housing units. The Bank extended 9.1 percent of home mortgage loans to low-income borrowers, which is less than the percentage of low-income families in the area, but exceeded the aggregate lending performance of only 5.1 percent. The Bank's performance over the three years reviewed indicated a positive trend in lending to low-income borrowers in this MSA. Additionally, 10.6 percent of the Bank's home mortgage loans were to moderate-income borrowers in 2009. This performance is less than the percentage of moderate-income families in the area at 14.5 percent and the aggregate lending performance of 15.3 percent. However, the Bank exceeded the aggregate in 2008 as well as the percentage of moderate-income families in 2008 and 2010.

Small Business Lending

The Bank originated 27 small business loans totaling \$4.6 million in this area in 2009, representing only 2.0 percent of loans made in the entire assessment area. As there are no low-income census tracts in this area, the geographic distribution analysis is limited. The distribution of small business loans in the area's two moderate-income census tracts at 6.3 percent is comparable to the distribution of total businesses at 5.9 percent. The majority of small business loans (85.7 percent) were in amounts less than \$100,000, suggesting that the Bank is meeting the credit needs of the area's smallest businesses.

Indirect Automobile Lending

The Bank made 81 loans, or 1.6 percent, of its indirect auto loans in this portion of the assessment area in 2009. This level of lending is less than the percentage of households (4.4 percent) located in this MSA portion of the assessment area. As previously stated, there are no low-income geographies in this area. However, the distribution of loans in moderate-income census tracts is somewhat lower than the distribution of households in census tracts of the same income level. The Bank extended 21.0 percent of its loans to low-income borrowers, which is higher than the percentage of low-income families in the area at 14.5 percent. The Bank essentially matched the percentage of moderate-income households at 14.5 percent, having extended 14.1 percent of loans to moderate-income borrowers.

Community Development Lending

Although no community development loans were of direct benefit to this MSA, loans were extended to organizations headquartered in other MSAs that have a broader geographic focus that includes the eleven cities and towns in this MSA portion of the Bank's assessment area. As previously mentioned, only 4.6 percent of the assessment area's total population resides in this area, and there are no low-income census tracts.

Innovative or Flexible Lending Products

The Bank's innovative and flexible loan programs are available consistently throughout all MSA areas that are part of the Bank's designated assessment area.

INVESTMENT TEST

The Bank did not make any qualified equity or equity-type investments directly in this MSA; however, Eastern Bank's total statewide investments represent 63.7 percent of all equity investments, which include areas within this MSA.

SERVICE TEST

Eastern Bank provides a proportionate level of community development services within this MSA. The Bank's high level of community development services is concentrated in regional and statewide affordable housing and economic development advocacy groups and organizations. The Bank's involvement with more localized community development organizations within this MSA further supports the excellent performance under this criterion.

The Bank's retail service availability throughout the assessment portion of this MSA is reasonable. The Bank operates one branch covering the 11 municipalities encompassed within this MSA portion of the assessment area, which somewhat limits accessibility to Eastern Bank's products and services. The Bank's business hours and retail services for this MSA are comparable to those offered throughout the entire assessment area.

APPENDIX A - Massachusetts Division of Banks
Fair Lending Policies and Practices

A review was conducted for compliance with fair lending regulations, and no evidence of discrimination was detected. Eastern Bank has a written *Fair Lending Policy*, incorporated into their overall *Lending Policy*. This policy addresses the Bank's efforts to prevent discrimination in all aspects of lending, as well as to provide guidance to employees on how to comply with fair lending policies and procedures. The Bank provides fair lending training to all employees involved in the lending process as well as all Board members.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of credit applications reportable under HMDA the Bank received from minority applicants. The racial and ethnic composition of the assessment area population is 20.5 percent minority. The minority population is further broken out into 6.8 percent Hispanic, 6.1 percent Black, 4.8 percent Asian, 0.2 percent American Indian, and 2.7 percent of the population is defined as "other."

As indicated below, the Bank's performance in 2009 is slightly below the 2009 aggregate data. However, the percentage of originations by Eastern Bank is stronger than that of the aggregate. The Bank's performance is considered adequate.

Minority Application Flow								
Race	Eastern Bank 2009		2009 Aggregate Data		Eastern Bank 2010		Bank Total	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	3	0.11	476	0.14	4	0.18	7	0.08
<i>Asian</i>	72	2.62	15,795	4.80	54	2.45	126	1.49
<i>Black/ African American</i>	69	2.51	7,462	2.27	50	2.27	119	1.40
<i>Hawaiian/Pacific Islander</i>	2	0.07	422	0.13	2	0.09	4	0.04
<i>2 or more Minority</i>	0	0.00	165	0.05	1	0.05	1	0.01
<i>Joint Race (White/Minority)</i>	33	1.20	3,529	1.07	20	0.91	53	0.61
Total Minority	179	6.51	27,849	8.46	131	5.95	310	3.63
<i>White</i>	2,146	77.98	220,813	67.16	1,938	88.01	7,699	90.80
<i>Race Not Available</i>	427	15.52	80,110	24.37	133	6.04	471	5.56
Total	2,752	100.00	328,772	100.00	2,202	100.00	8,480	100.00
Ethnicity								
<i>Hispanic or Latino</i>	96	3.49	20,792	5.4	59	2.68	155	3.13
<i>Not Hispanic or Latino</i>	2,183	79.32	265,254	68.0	1,993	90.51	4,176	84.30
<i>Joint (Hisp./Lat./Not Hisp./Lat.)</i>	35	1.27	2,401	0.6	26	1.18	61	1.23
<i>Ethnicity Not Available</i>	438	15.92	101,510	26.0	124	5.63	562	11.34
Total	2,752	100.00	389,957	100.00	2202	100.00	4,954	100.00

APPENDIX B - Massachusetts Division of Banks

Loss of Affordable Housing

Eastern Bank's development of credit products with flexible lending criteria, community development lending, and participation in flexible lending programs assisted low- and moderate-income individuals to remain in their neighborhoods.

APPENDIX C- GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

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) but excluding 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.

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

HOUSING TERMS

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 which 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).

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.

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.

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.

INCOME TERMS

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.

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

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

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 consist of only one person, median household income is usually less than median family income.

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.

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.

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.

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.

HUD Adjusted Income Data: The US Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent US Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

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.

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.

APPENDIX D - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. 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. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. 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. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: 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; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the US Department of the Treasury and the Internal Revenue Service. The US Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. 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 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 in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX E - STANDARD PE LANGUAGE

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution'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.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

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 and the Federal Deposit Insurance Corporation, at 265 Franklin Street, Boston, MA 02110."

[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 agency, 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.