

## **PUBLIC DISCLOSURE**

August 14, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Eastern Savings Bank  
RSSD # 939070

257 Main Street  
Norwich, Connecticut 06360

Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, Massachusetts 02210

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

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**INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.**

Eastern Savings Bank (Eastern or the bank) demonstrates an adequate responsiveness to the credit needs of its assessment area based on the following findings:

- The average loan-to-deposit (LTD) ratio of 115.5 percent is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of residential mortgage (58.2 percent) and small business loans (78.9 percent) are in the bank's assessment area.
- The distribution of borrowers reflects, given the demographics of the bank's assessment area, reasonable penetration among individuals of different income levels (including to low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- There have been no complaints regarding the bank's CRA performance since the previous CRA evaluation.

## SCOPE OF EXAMINATION

Eastern's CRA performance was reviewed in accordance with the Federal Financial Institutions Examination Council (FFIEC) CRA Examination Procedures for Small Institutions. Small institutions are those that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.226 billion. As the bank's assets were also below \$307 million, the bank was not considered an intermediate small institution, and was evaluated solely under the lending test based on the following performance criteria: LTD ratio, assessment area concentration of loans, loan distribution according to the income of the borrower, geographic distribution of loans, and response to CRA-related complaints.

The evaluation period for the CRA performance review is July 8, 2013 through August 14, 2017. These dates encompass the entire review period, which includes years evaluated for inclusion in tables and for trend analysis. The lending test focused on residential mortgage and small business lending from January 1, 2013 to December 31, 2016. As the bank is primarily a residential mortgage lender, greater emphasis was placed on residential mortgage loans when evaluating performance. Home mortgage lending reviewed during this evaluation was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs record data for home purchase loans, home improvement loans, and refinance loans for one-to-four family and multi-family (five or more unit) properties.

The bank's home mortgage data are shown in comparison to the 2014 and 2015 aggregate data obtained from the FFIEC. Aggregate data consist of lending information from all HMDA reporters that originated or purchased home mortgage loans in the bank's assessment area. Demographic information referenced throughout the evaluation was obtained from the 2010 United States (U.S.) Census Bureau's American Community Survey (ACS) unless otherwise noted. Greater weight was given to the two most recent full years, 2014 and 2015, for which aggregate data are available. Information for these years is included in tables unless otherwise noted, while information from 2013 and 2016 was reviewed for trend analysis.

While Eastern is primarily a residential lender, commercial lending accounts for 40.4 percent of the bank's loan portfolio and continues to be a growth area for the bank. Therefore, small business loans, defined as commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less, were considered in the lending test. This information was obtained from the bank for the years 2013 to 2016. The years 2014 and 2015 are shown in comparison to relative business information obtained from Dun & Bradstreet, Inc. Short Hills, New Jersey (D&B). A comparison to aggregate lenders for small business lending was not considered appropriate since the bank is not subject to the small business reporting requirements applicable to large banks.

Eastern's CRA performance was last examined by the Federal Reserve Bank of Boston on July 8, 2013. The examination resulted in a "Satisfactory" rating.

## DESCRIPTION OF INSTITUTION

Eastern is an independent state mutual savings bank that was incorporated in 1915. The bank's main office is located at 257 Main Street in Norwich, CT. The bank has four full-service branches with one each located in Norwich, Norwichtown, Jewett City, and Plainfield, CT. During the evaluation period, Eastern opened the Norwichtown branch on June 2, 2016. All locations offer lobby and drive through hours Monday through Saturday, except for the main office, which is located in the downtown business district of Norwich. The main office offers lobby and drive through hours Monday through Friday. Eastern has two subsidiaries: ESB Mortgage Servicing, Inc., a passive investment holding company formed for state tax benefits and ESB Holdings I, LLC, an other real estate owned (OREO) holding subsidiary.

As of June 30, 2017, Eastern's assets totaled \$187.2 million, with total loans of \$160.3 million and total deposits of \$145.6 million. This is an increase from total assets of \$165.7 million at the same time in 2013, where total loans were \$140.4 million and total deposits were \$128.4 million. Over the course of the evaluation period total assets increased 17.8 percent from June 30, 2013, while total loans increased 20.1 percent, and total deposits increased 13.5 percent.

Table 1 illustrates the breakdown of the bank's loan portfolio as of June 30, 2017. As the data in the table show, the bank is primarily a real estate lender, with 1-4 family residential loans comprising the greatest share of the real estate loan portfolio. These loans include closed-end mortgage loans (including junior liens) as well as revolving home equity lines of credit. Commercial real estate comprises the next largest share of the loan portfolio. The commercial real estate loans are typically collateralized by the properties used for the borrowers' businesses, such as office and retail buildings. Revolving 1-4 family residential real estate loans, which include home equity lines of credit, represent 10.0 percent of the loan portfolio. Commercial and industrial loans and multifamily loans each comprise 5.6 percent of the loan portfolio. Commercial and industrial loans have a business purpose and are either unsecured or secured by assets other than real estate. Consumer loans and construction & land development loans comprise the balance of the loan portfolio.

<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans (%)</b>
1-4 Family- Closed-End	72,261	44.7
Commercial Real Estate	41,634	25.8
1-4 Family- Revolving	16,193	10.0
Commercial and Industrial	9,049	5.6
Multi-Family	9,049	5.6
Consumer Loans	7,580	4.7
Construction & Land Development	5,866	3.6
<i>Total Loans</i>	<i>161,635</i>	<i>100.0</i>

*Call Report as of June 30, 2017.*

The bank offers a standard array of retail loan and deposit products, including fixed-rate and adjustable-rate mortgages, home equity loans and lines of credit, unsecured personal loans, home improvement loans, vehicle loans, Smart-E loans for Connecticut residents to make home energy

improvements, overdraft protection lines of credit, basic and free checking accounts, a checking account for individuals who have been denied a checking account in the past, savings accounts and certificates of deposit, health savings accounts, and retirement accounts. Business products include free business checking accounts, business interest checking accounts, Interest on Lawyer Trust Accounts (IOLTA) and Interest on Real Estate Broker Trust Accounts, (IREBTA), savings accounts, certificates of deposit, commercial term loans, lines of credit, Small Business Administration (SBA) loans, commercial mortgages, construction loans, and letters of credit. The bank's website, [www.eastern-savings.com](http://www.eastern-savings.com), provides branch and ATM location information and a listing and description of all its loan and deposit services, including rates. Along with in-person applications, the bank receives loan applications through its website. Deposit account applications can be requested by visiting a branch.

Eastern operates in a competitive banking environment. While the assessment area includes national and regional financial institutions, the bank identifies its competition as other local community banks and credit unions, such as Chelsea Groton Bank, Dime Bank, Jewett City Savings Bank, Putnam Bank, CorePlus Federal Credit Union, and Charter Oak Federal Credit Union. Within the bank's assessment area, Eastern has five locations and 2.3 percent of the deposit market share. The top financial institutions based on market share in the assessment area are Citizens Bank, N.A., with 14.3 percent and 14 locations, Chelsea Groton Bank, with 12.8 percent and 14 locations, Bank of America, N.A., with 12.4 percent and 12 locations, People's United Bank, N.A., with 10.4 percent and 14 locations, and Liberty Bank, with 9.6 percent and 10 locations.

The bank also faces strong competition for loans. According to 2016 HMDA data, there were 340 lenders that originated or purchased a home mortgage loan in the bank's assessment area. The top lenders in the assessment area are Charter Oak Federal Credit Union, Wells Fargo Bank, N.A., Chelsea Groton Bank, Quicken Loans, Inc., and Navy Federal Credit Union. Eastern ranked 20<sup>th</sup>, with 111 loan originations.

Eastern did not face any legal or financial impediments during the review period that would have prevented it from meeting the credit needs of its assessment area in a manner consistent with its asset size, business strategy, resources, and local economic conditions.

## DESCRIPTION OF ASSESSMENT AREA

Eastern has defined its assessment area for CRA purposes to consist of the entirety of New London and Windham Counties in the eastern part of the State of Connecticut. Since the previous CRA examination in 2013, the bank amended its assessment area to no longer include two partial counties. This resulted in the removal of two census tracts in Middlesex County and five census tracts in Tolland County, which had previously been included. New London County is the more southern of the counties and is located in the Norwich-New London, CT Metropolitan Statistical Area (MSA) (Norwich MSA). Windham County is located in the Connecticut portion of the multistate Worcester, MA-CT MSA (Worcester MSA). The assessment area is comprised of 91 census tracts, of which 4 are low-income, 19 are moderate-income, 49 are middle-income, 17 are upper-income, and 2 are unknown-income census tracts. One of the unknown-income census tracts represents the naval base located in Groton, CT, within New London County, while the second unknown-income census tract is located in the Atlantic Ocean and has no population.

New London and Windham Counties form the eastern boundary of the State of Connecticut. The major north/south highway is Interstate 395, which runs through both counties. The primary east/west rural routes through Windham County are Route 44 and Route 6, which continue to Providence, Rhode Island. Windham County has smaller towns and rural areas with no incorporated cities. New London County has a larger and more diverse population. The primary cities are Norwich, where Eastern is headquartered, and Groton and New London, both of which are located approximately 14 miles to the south of Norwich.

Table 2 below provides a summary of demographic information for the bank's assessment area in 2016.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	4	4.4	3,440	3.4	890	25.9	20,264	20.0
Moderate-income	19	20.9	20,694	20.5	2,757	13.3	19,231	19.0
Middle-income	49	53.8	57,832	57.2	2,230	3.9	24,041	23.8
Upper-income	17	18.7	19,096	18.9	284	1.5	37,534	37.1
Unknown-income	2	2.2	8	0	0	0	0	0
<b>Total Assessment Area</b>	<b>91</b>	<b>100.0</b>	<b>101,070</b>	<b>100.0</b>	<b>6,161</b>	<b>6.1</b>	<b>101,070</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	6,741	1,246	1.2	18.5	4,411	65.4	1,084	16.1
Moderate-income	41,119	16,090	15.2	39.1	20,115	48.9	4,914	12.0
Middle-income	89,221	65,476	62	73.4	16,964	19	6,781	7.6
Upper-income	31,177	22,800	21.6	73.1	3,801	12.2	4,576	14.7
Unknown-income	38	0	0	0	8	21.1	30	78.9
<b>Total Assessment Area</b>	<b>168,296</b>	<b>105,612</b>	<b>100.0</b>	<b>62.8</b>	<b>45,299</b>	<b>26.9</b>	<b>17,385</b>	<b>10.3</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low-income	469	2.7	422	2.6	43	3.7	4	1.8
Moderate-income	3,440	19.8	3,058	19.2	344	29.6	38	17.3
Middle-income	9,753	56.2	9,019	56.5	604	52	130	59.1
Upper-income	3,678	21.2	3,460	21.7	171	14.7	47	21.4
Unknown-income	3	0	2	0	0	0	1	0.5
<b>Total Assessment Area</b>	<b>17,343</b>	<b>100.0</b>	<b>15,961</b>	<b>100.0</b>	<b>1,162</b>	<b>100.0</b>	<b>220</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.0</b>	<b>6.7</b>	<b>1.3</b>		

2010 Census Data and 2016 D&B data.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

## Population

The assessment area has a population of 392,483 individuals. Based on 2010 income data, the assessment area includes 150,911 households, 101,070 of which are families. The majority of families, 37.1 percent, are upper-income. Middle-income families represent 23.8 percent of the assessment area, while low- and moderate-income families represent 20.1 and 19.0 percent, respectively. The population of the assessment area has experienced a slight decrease. According to the U.S. Census Population Estimates Program,<sup>1</sup> the population of the assessment area decreased 1.7 percent between July 1, 2010 and July 1, 2016. Over the same period, the

<sup>1</sup> www.census.gov/popest

population of Connecticut grew by 0.6 percent, while the population of the United States rose by 4.5 percent.

### *Income*

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. Table 3 displays the MFIs for the assessment area.

<b>Table 3</b>			
<b>Median Family Income Used to Classify Borrowers</b>			
<b>MSA/State</b>	<b>FFIEC Estimated MFI</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Norwich-New London, CT (MSA)	84,600	87,100	78,100
Worcester, MA-CT (MSA)	77,900	81,500	78,500
Connecticut	89,600	87,000	89,300

*FFIEC median family income estimates.*

The estimated MFI for the Norwich-New London, CT MSA, where the bank is headquartered, rose slightly from \$84,600 in 2014 to \$87,100 in 2015, before decreasing to \$78,100 in 2016. For the Worcester, MA-CT MSA, the MFI in 2014 was \$77,900, in 2015 was \$81,500, and in 2016 was \$78,500. The FFIEC's estimated MFI for the State of Connecticut has typically been higher than that of the MSAs with an MFI of \$89,600 in 2014, \$87,000 in 2015, and \$89,300 in 2016. Based on the data from Table 3, assessment area families tend to earn less than families earn in the state as a whole.

The percentage of families in the assessment area living below the poverty level is 6.1 percent, which is in line with the State of Connecticut's rate of 6.5 percent. A higher percentage of families in Windham County, at 8.7 percent, are living below the poverty level compared to 5.0 percent in New London County.

### *Housing*

There are 168,296 housing units in the assessment area of which the majority, 83.9 percent, are 1-4 family housing, 13.0 percent have five or more units, and 3.0 percent are mobile homes. Housing unit statistics show an owner-occupancy rate of 62.8 percent, a rental rate of 26.9 percent, and a vacancy rate of 10.3 percent. At the county and state level, owner-occupancy, rentals, and vacancy rates are in line with the assessment area. Within low-income census tracts in the assessment area, only 18.5 percent of units are owner-occupied, while 65.4 percent are rental units, and 16.1 percent are vacant. This indicates that there are limited opportunities for home ownership in the low-income census tracts, and similarly, that there are limited opportunities for financial institutions to originate loans in these census tracts. Similarly, in moderate-income census tracts, only 39.1 percent of units are owner-occupied while 48.9 percent are rental units and 12.0 percent are vacant. Conversely, middle- and upper-income census tracts

have owner-occupancy rates of 73.4 and 73.1 percent, respectively.

The assessment area housing affordability ratio of 24.9 percent is higher than the State of Connecticut figure of 22.9 percent, which indicates that housing is more affordable within the assessment area. The median housing value for the assessment area is \$253,572, which is below the median housing value for Connecticut, at \$296,500. Lastly, the median gross rent for the assessment area of \$923 per month is similarly situated when compared to \$982 per month for the State of Connecticut. Therefore, housing appears to be slightly more affordable when compared to the state.

### *Business Characteristics*

According to 2016 D&B data, the assessment area contains 17,343 businesses. Of these, 15,961, or 92.0 percent, are small businesses, with recorded gross annual revenues of less than or equal to \$1 million. Furthermore, there are 414 farms in the assessment area, 403 of which have recorded gross annual revenues of less than or equal to \$1 million. The 2016 data show a decrease from 2015 when there were 19,073 businesses in the assessment area (17,752, or 93.1 percent with revenue under \$1 million) and 468 farms.

The assessment area is predominantly supported by small firms. According to the U.S. Census Bureau 2015 County Business Patterns, the largest industries by number of paid employees in New London County are accommodation and food service, health care and social assistance, retail trade, and manufacturing, while the largest industries in Windham County are health care and social assistance, manufacturing, and retail trade. Two casinos are located in New London County, Foxwoods Resort Casino and Mohegan Sun, which, in conjunction with their hotels, employ thousands in the accommodation and food service industry. Also within the assessment area is a submarine manufacturer, General Dynamics Electric Boat, in Groton, CT, which employs several thousand people in the manufacturing industry.

The bank's market area has unemployment rates in line with or above both the national and state rates. According to the U.S. Bureau of Labor Statistics, as of June 2017, the non-seasonally adjusted unemployment rates are 4.9 percent for New London County, and 5.5 percent for Windham County, while the national unemployment rate is 4.5 percent and the Connecticut unemployment rate is 5.1 percent.

## Community Contact

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing and credit needs in the bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community and whether additional opportunities are available. A community contact was conducted with the executive director of a local community group that focuses on serving and meeting the needs of low-income individuals in New London County and eastern Connecticut, with services including energy assistance, education, employment, food and nutrition, housing, and financial services. The contact stated a lack of jobs that pay a livable wage compared to the cost of rising rents in the county is a primary challenge for low-income individuals. In addition, because low-income individuals are most focused on meeting immediate needs such as housing and food, goal-oriented concepts such as budgeting and managing credit issues are not a priority. The contact suggested a useful service not currently available through federal or state programs would be an "emergency fund" that low-income individuals could use for issues such as car repairs or unexpected medical payments.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

A small bank’s lending performance is evaluated pursuant to the following criteria: (1) the bank’s LTD ratio, adjusted for seasonal variation and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments; (2) the percentage of loans and, as appropriate, other lending-related activities located in the bank’s assessment area; (3) the bank’s record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses of different sizes; (4) the geographic distribution of the bank’s loans; and (5) the bank’s record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area. The following details the bank’s efforts with regard to each performance criterion.

**Loan-to-Deposit Ratio**

This performance criterion determines the percentage of the bank’s deposit base that is reinvested in the form of loans, and evaluates its appropriateness. The bank’s average LTD ratio since the previous examination is 115.5 percent, which is reasonable.

The analysis of Eastern’s LTD was performed using the past fifteen quarters from the quarter ending September 30, 2013 to the quarter ending March 31, 2017. The bank’s net LTD figures are calculated from the bank’s quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

Table 4 compares the bank’s average LTD ratio over the past 15 quarters to similarly-sized institutions operating within the assessment area or geographic region.

<b>Table 4 Loan-to-Deposit Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets* \$(000s)</b>	<b>Average LTD Ratio** (%)</b>
<b>Eastern Savings Bank</b>	<b>188.7</b>	<b>115.5</b>
Collinsville Savings Society	156.3	106.4
Litchfield Bancorp	244.9	85.7
The First National Bank of Suffield	265.1	82.3
Jewett City Savings Bank	270.0	79.3

\*Call Report as of March 31, 2017.

\*\*Call Report from July 1, 2013 to March 31, 2017.

During the review period, the bank’s LTD ratio fluctuated from a low of 107.7 percent to a high of 125.5 percent. This fluctuation is attributable to the bank’s sale of fixed-rate residential mortgages in the secondary market and the bank’s borrowings from the Federal Home Loan Bank, both of which allow Eastern to reinvest the proceeds back into the community with additional lending. The LTD ratio at the time of the examination, based on March 31, 2017 data, is 112.4 percent. In comparison, the LTD ratios for the regional peers ranged from a low of 73.0 percent to a high of 112.6 percent. Therefore, the bank’s ratio is reasonable given its size,

financial condition, capacity to lend, performance of other similarly-situated institutions, and lending opportunities and assessment area credit needs.

### Lending in Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a majority of loans is located in Eastern’s assessment area. Table 5 presents the bank’s levels of lending inside and outside the assessment area for 2014 and 2015 combined.

<b>Table 5 Lending Inside and Outside the Assessment Area</b>										
<b>Loan Type</b>	<b>Inside</b>				<b>Outside</b>				<b>Total</b>	
	#	%	\$ \$(000s)	%	#	%	\$ \$(000s)	%	#	\$ \$(000s)
Home Purchase	23	46.9	4,091	42.9	26	53.1	5,443	57.1	49	9,534
Home Improvement	88	44.7	4,652	47.1	109	55.3	5,226	52.9	197	9,878
Refinancing	103	88.0	16,400	86.2	14	12.0	2,620	13.8	117	19,020
Multi-family Housing	5	100.0	2,407	100.0	0	0.0	0	0.0	5	2,407
<b>Residential Total</b>	<b>219</b>	<b>59.5</b>	<b>27,550</b>	<b>67.5</b>	<b>149</b>	<b>40.5</b>	<b>13,289</b>	<b>32.5</b>	<b>368</b>	<b>40,839</b>
Small Business	38	79.2	9,271	76.6	10	20.8	2,837	23.4	48	12,108
<b>Small Business Total</b>	<b>38</b>	<b>79.2</b>	<b>9,271</b>	<b>76.6</b>	<b>10</b>	<b>20.8</b>	<b>2,837</b>	<b>23.4</b>	<b>48</b>	<b>12,108</b>
<b>TOTAL LOANS</b>	<b>257</b>	<b>61.8</b>	<b>36,821</b>	<b>69.5</b>	<b>159</b>	<b>38.2</b>	<b>16,126</b>	<b>30.5</b>	<b>416</b>	<b>52,947</b>

*HMDA LAR data January 01, 2014 through December 31, 2015; Small business data is bank reported.*

### Residential Mortgage Lending

The bank made a majority of HMDA loans inside the assessment area during the review period. As shown in the table above, the bank made a total of 219 HMDA loans in 2014 and 2015 combined. Of these loans, 59.5 percent by number and 67.5 percent by dollar volume were inside the assessment area with multi-family housing loans (100.0 percent) and refinancing loans (88.0 percent) comprising the largest percentages within the assessment area. The bank made less than a majority (44.7 percent) of its home improvement loans within the assessment area. The percent of residential loans made in the assessment area represents a decrease from the previous examination in 2013, when the bank originated 96.4 percent of its home mortgage loans in the assessment area.

This decrease is primarily attributed to the bank’s participation as a home energy loan provider through Energize Connecticut’s Smart-E Loan program. The Smart-E Loan program offers CT residents long-term, low-interest financing to make home energy improvements on a principal residence. As noted previously, the community contact noted that energy costs can be a struggle for residents in the assessment area. As such, the bank’s participation in the Smart E-Loan program provides a service to the bank’s community and throughout Connecticut. The bank began offering these loans in April 2013, and made 170 Smart-E loans to borrowers through 2016. Since this program is available statewide and a limited number of financial institutions

offer this product to borrowers, Eastern receives applications from outside its assessment area. As a result, this loan product has reduced the percentage of home improvement loans made in the bank's assessment area, from 100.0 percent in 2011 and 2012, and 94.6 percent in 2013, to 46.7 percent in 2014, 42.9 percent in 2015, and 37.7 percent in 2016. The bank's overall residential lending made in the assessment area decreased in kind over that same period from 96.4 percent in 2011 and 2012, and 87.8 percent in 2013, to 60.5 percent in 2014, 58.5 percent in 2015, and 57.9 percent in 2016.

Furthermore, in 2013, the bank established a brokerage relationship with Guilford Mortgage Services, LLC, Guilford, CT (Guilford). Approximately 25.0 percent of the bank's residential mortgage business comes from this channel. Guilford is located a few towns west of the assessment area boundary; loans located both inside and outside the bank's assessment area are originated through Guilford.

### Small Business Lending

Eastern originated a majority of its small business loans in its assessment area. As shown in Table 5 above, the bank originated 79.2 percent by number and 76.6 percent by dollar of its small business loans in the assessment area in 2014 and 2015 combined. The bank's small business lending in its assessment area was 76.9 percent in 2013, but decreased to 66.7 percent in 2014. The bank increased its small business lending in the assessment area to 88.9 percent in 2015, which then decreased to 70.0 percent in 2016.

### **Borrower Profile**

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Although both the number and the dollar volume of the bank's loans were reviewed, the number of loans originated was given more weight than the dollar volume of loans originated as the number of loans has a more direct correlation to the number of borrowers served.

### Residential Mortgage Lending

Table 6 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group.

PRODUCT TYPE	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison											
			2014						2015					
			Count			Dollar			Count			Dollar		
			Bank #	%	Agg %	Bank \$(000s)	%	Agg %	Bank #	%	Agg %	Bank \$(000s)	%	Agg %
HOME PURCHASE	Low	20.0%	1	10.0%	8.4%	\$68	3.6%	4.7%	1	7.7%	10.2%	\$52	2.3%	5.8%
	Moderate	19.0%	2	20.0%	25.3%	\$229	12.3%	19.8%	2	15.4%	26.8%	\$416	18.7%	21.7%
	Middle	23.8%	1	10.0%	23.7%	\$66	3.5%	24.1%	5	38.5%	23.0%	\$992	44.6%	23.7%
	Upper	37.1%	5	50.0%	25.3%	\$1,368	73.3%	35.8%	3	23.1%	22.8%	\$408	18.3%	32.8%
	Unknown	0.0%	1	10.0%	17.3%	\$136	7.3%	15.7%	2	15.4%	17.2%	\$356	16.0%	16.0%
	<i>Total</i>	<i>100.0%</i>	<i>10</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$1,867</i>	<i>100.0%</i>	<i>100.0%</i>	<i>13</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$2,224</i>	<i>100.0%</i>	<i>100.0%</i>
REFINANCE	Low	20.0%	11	19.3%	9.8%	\$1,266	12.5%	6.0%	8	17.4%	7.4%	\$536	8.6%	4.3%
	Moderate	19.0%	10	17.5%	18.4%	\$1,121	11.0%	14.0%	9	19.6%	16.4%	\$1,076	17.2%	12.4%
	Middle	23.8%	16	28.1%	24.6%	\$1,818	17.9%	22.6%	13	28.3%	22.4%	\$1,682	26.9%	19.7%
	Upper	37.1%	16	28.1%	29.0%	\$4,875	48.0%	36.7%	11	23.9%	32.8%	\$1,883	30.2%	40.2%
	Unknown	0.0%	4	7.0%	18.3%	\$1,076	10.6%	20.7%	5	10.9%	21.0%	\$1,067	17.1%	23.4%
	<i>Total</i>	<i>100.0%</i>	<i>57</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$10,156</i>	<i>100.0%</i>	<i>100.0%</i>	<i>46</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$6,244</i>	<i>100.0%</i>	<i>100.0%</i>
HOME IMPROVEMENT	Low	20.0%	5	11.6%	9.3%	\$95	4.3%	4.5%	1	2.2%	8.6%	\$87	3.5%	4.9%
	Moderate	19.0%	11	25.6%	24.4%	\$307	14.0%	17.4%	7	15.6%	19.3%	\$522	21.2%	14.3%
	Middle	23.8%	14	32.6%	28.1%	\$557	25.4%	25.1%	15	33.3%	29.0%	\$536	21.8%	24.9%
	Upper	37.1%	11	25.6%	34.6%	\$1,172	53.5%	47.7%	21	46.7%	37.8%	\$1,154	46.9%	51.9%
	Unknown	0.0%	2	4.7%	3.7%	\$61	2.8%	5.2%	1	2.2%	5.3%	\$161	6.5%	4.0%
	<i>Total</i>	<i>100.0%</i>	<i>43</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$2,192</i>	<i>100.0%</i>	<i>100.0%</i>	<i>45</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$2,460</i>	<i>100.0%</i>	<i>100.0%</i>
MULTI FAMILY	Low	20.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	19.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	23.8%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	37.1%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Unknown	0.0%	2	100.0%	100.0%	\$1,725	100.0%	100.0%	3	100.0%	100.0%	\$682	100.0%	100.0%
	<i>Total</i>	<i>100.0%</i>	<i>2</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$1,725</i>	<i>100.0%</i>	<i>100.0%</i>	<i>3</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$682</i>	<i>100.0%</i>	<i>100.0%</i>
HMDA TOTALS	Low	20.0%	17	15.2%	9.0%	\$1,429	9.0%	4.8%	10	9.3%	8.9%	\$675	5.8%	4.9%
	Moderate	19.0%	23	20.5%	22.5%	\$1,657	10.4%	16.2%	18	16.8%	21.7%	\$2,014	17.3%	16.8%
	Middle	23.8%	31	27.7%	24.4%	\$2,441	15.3%	21.8%	33	30.8%	23.3%	\$3,210	27.6%	21.2%
	Upper	37.1%	32	28.6%	27.6%	\$7,415	46.5%	33.9%	35	32.7%	28.3%	\$3,445	29.7%	35.3%
	Unknown	0.0%	9	8.0%	16.6%	\$2,998	18.8%	23.3%	11	10.3%	17.8%	\$2,266	19.5%	21.8%
	<i>Total</i>	<i>100.0%</i>	<i>112</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$15,940</i>	<i>100.0%</i>	<i>100.0%</i>	<i>107</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$11,610</i>	<i>100.0%</i>	<i>100.0%</i>

2010 U.S. Census, 2014 and 2015 Aggregate HMDA Data, 2014 and 2015 HMDA LARs.  
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The percentage of residential mortgage loans made to low-income borrowers by number was 15.2 percent in 2014, and 9.3 percent in 2015. While the bank's performance in 2014 and 2015 is below the demographic indicator of 20.0 percent low-income families, it is not expected that the bank meet the demographic indicator for low-income families because not all families with low-income levels will qualify for a home mortgage given the income demographics of the market. A low-income family in the assessment area earns less than \$39,050 which, coupled with the median home value of \$253,572, may put home ownership out of reach for many low-income families. This challenge was also noted by the community contact, who identified the lack of jobs that pay a livable wage as a challenge facing low-income individuals in the

assessment area.

The bank's lending to low-income borrowers was also compared to the lending activity of an aggregate group of lenders in the assessment area, because the aggregate's lending activity is more representative of the lending opportunities in the assessment area. In both 2014 and 2015, the percentage of the bank's lending to low-income borrowers exceeded the aggregate percentage. By product type, the bank exceeded the aggregate's lending to low-income borrowers with home purchase loans in 2014, refinance loans in 2014 and 2015, and home improvement loans in 2014. Lending to low-income borrowers in 2013 and 2016 is more in line with the bank's lending in 2015, with 9.5 and 11.9 percent of residential mortgage loans made to low-income borrowers in 2013 and 2016, respectively. While aggregate data are not yet available for 2016, the bank's lending to low-income borrowers in 2013 exceeded the aggregate, which originated 8.9 percent of its residential mortgages to low-income borrowers.

In terms of lending to moderate-income borrowers, the bank made 20.5 percent and 16.8 percent, by number, of its residential mortgage loans to these borrowers in 2014 and 2015, respectively. Eastern's lending to moderate-income borrowers was above the demographic indicator for moderate-income families in 2014, and was slightly below the demographic indicator in 2015. This is notable as a moderate-income family in the assessment area earns less than \$62,480. With the median home value of \$253,572, home ownership may be a challenge for many moderate-income families.

The bank's percentage of lending to moderate-income borrowers lagged the aggregate in 2014 and 2015. By product, the bank exceeded the aggregate by number with home improvement loans in 2014 and refinance loans in 2015. The bank's percentage of lending to moderate-income borrowers in 2014 represents a decrease from 22.6 percent in 2013. The bank's lending to moderate-income borrowers in 2015 was in line with lending in 2016, which was 16.7 percent. While the bank's percentage of lending to moderate-income borrowers has experienced a downward trend since 2013, it remains reasonably similar to the demographics of the assessment area and to the percentage of loans originated by the aggregate to moderate-income borrowers.

The bank exceeded the demographic indicators for middle-income borrowers, 23.8 percent, in 2014 and 2015 as it originated 27.7 and 30.8 percent of its HMDA-reportable lending to these borrowers. The bank did not reach the demographic indicators for upper-income borrowers, 37.1 percent, in 2014 and 2015 having originated 28.6 and 32.7 percent of its HMDA-reportable loans to upper-income borrowers. For both 2014 and 2015, the bank exceeded the aggregate in its HMDA-reportable lending to middle- and upper-income borrowers.

Overall, the distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income levels.

### Small Business Lending

The bank's small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. A small business loan is defined as an originated commercial real estate or commercial and industrial loan with an original loan amount of \$1 million or less. Table 7 below details the bank's lending to small businesses

according to revenue size.

Table 7 Distribution of Small Business Loans By Gross Annual Revenue of Business						
Gross Annual Revenues	2014 Total Businesses	2014 Eastern Savings Bank		2015 Total Businesses	2015 Eastern Savings Bank	
	%	#	%	%	#	%
≤ \$1MM	90.7	14	100.0	93.1	24	100.0
> \$1MM	5.8	0	0.0	6.1	0	0.0
N/A	3.6	0	0.0	0.9	0	0.0
<b>Total</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

*D&B 2014 & 2015 CRA Data, 2014 and 2015 bank provided small business data  
Total percentages shown may vary by 0.1 percent due to automated rounding differences.*

As illustrated in the above table, Eastern originated all of its small business loans in 2014 and 2015 to businesses with revenues less than \$1 million. The bank also made all of its small business loans in 2013 and 2016 to businesses with gross annual revenues less than \$1 million. While the 2014 and 2015 percentage of small businesses in the assessment area is 90.7 percent and 93.1 percent, respectively, this does not necessarily indicate greater loan demand, particularly as growth may still be stalled following the economic crisis. In light of this, the bank demonstrated consistent ability to lend to small businesses.

An analysis was also conducted based on loan size. Loans originated with smaller dollar amounts typically are considered for smaller businesses and startups, and indicate a willingness by the bank to engage in small business lending.

### Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of loans within census tracts of all income levels. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Although both the number and the dollar volume of the bank’s loans were reviewed, the number of loans originated was given more weight than the dollar volume of loans originated as the number of loans has a more direct correlation to the number of borrowers served

There were no conspicuous gaps in lending in the low- and moderate-income census tracts. Within Eastern’s assessment area, there are 4 low-income census tracts and 19 moderate-income census tracts. The bank’s record of lending during the examination period, looking at full year residential mortgage and small business data for 2013-2016, is reasonable. The bank made loans in all low-income census tracts and in 14 of the 19 moderate-income census tracts in its assessment area.

### Residential Mortgage Lending

Table 8 provides a comparison of the bank’s lending by census tract income level to the aggregate lending data and demographics of the assessment area.

Table 8 Geographic Distribution of HMDA Loans														
PRODUCT TYPE	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison											
			2014						2015					
			Count			Dollar			Count			Dollar		
			Bank #	%	Agg %	Bank \$ (000s)	\$ %	Agg \$ %	Bank #	%	Agg %	Bank \$ (000s)	\$ %	Agg \$ %
HOME PURCHASE	Low	1.2%	0	0.0%	1.4%	\$0	0.0%	0.9%	0	0.0%	1.0%	\$0	0.0%	0.6%
	Moderate	15.2%	1	10.0%	16.4%	\$68	3.6%	11.3%	1	7.7%	16.2%	\$255	11.5%	11.2%
	Middle	62.0%	6	60.0%	61.1%	\$1,055	56.5%	59.2%	11	84.6%	62.4%	\$1,544	69.4%	61.5%
	Upper	21.6%	3	30.0%	21.1%	\$744	39.9%	28.6%	1	7.7%	20.5%	\$425	19.1%	26.6%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<b>Total</b>	<b>100.0%</b>	<b>10</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$1,867</b>	<b>100.0%</b>	<b>100.0%</b>	<b>13</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$2,224</b>	<b>100.0%</b>	<b>100.0%</b>
REFINANCE	Low	1.2%	0	0.0%	1.1%	\$0	0.0%	0.9%	0	0.0%	1.0%	\$0	0.0%	0.6%
	Moderate	15.2%	7	12.3%	13.7%	\$1,188	11.7%	10.7%	6	13.0%	12.5%	\$723	11.6%	9.0%
	Middle	62.0%	41	71.9%	63.4%	\$4,963	48.9%	61.1%	38	82.6%	63.1%	\$4,898	78.4%	61.2%
	Upper	21.6%	9	15.8%	21.8%	\$4,005	39.4%	27.3%	2	4.3%	23.4%	\$623	10.0%	29.1%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<b>Total</b>	<b>100.0%</b>	<b>57</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$10,156</b>	<b>100.0%</b>	<b>100.0%</b>	<b>46</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$6,244</b>	<b>100.0%</b>	<b>100.0%</b>
HOME IMPROVEMENT	Low	1.2%	1	2.3%	1.0%	\$7	0.3%	0.8%	1	2.2%	1.1%	\$161	6.5%	0.7%
	Moderate	15.2%	8	18.6%	14.1%	\$117	5.3%	10.0%	4	8.9%	10.4%	\$227	9.2%	7.0%
	Middle	62.0%	32	74.4%	65.9%	\$2,021	92.2%	60.8%	34	75.6%	68.8%	\$1,839	74.8%	63.9%
	Upper	21.6%	2	4.7%	19.0%	\$47	2.1%	28.4%	6	13.3%	19.7%	\$233	9.5%	28.4%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<b>Total</b>	<b>100.0%</b>	<b>43</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$2,192</b>	<b>100.0%</b>	<b>100.0%</b>	<b>45</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$2,460</b>	<b>100.0%</b>	<b>100.0%</b>
MULTI FAMILY	Low	9.5%	0	0.0%	7.7%	\$0	0.0%	1.0%	0	0.0%	9.1%	\$0	0.0%	9.6%
	Moderate	54.5%	0	0.0%	48.7%	\$0	0.0%	54.6%	2	66.7%	48.5%	\$480	70.4%	63.8%
	Middle	28.7%	2	100.0%	43.6%	\$1,725	100.0%	44.3%	1	33.3%	42.4%	\$202	29.6%	26.6%
	Upper	7.3%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<b>Total</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$1,725</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$682</b>	<b>100.0%</b>	<b>100.0%</b>
HMDA TOTALS	Low	1.2%	1	0.9%	1.3%	\$7	0.0%	0.9%	1	0.9%	1.0%	\$161	1.4%	1.0%
	Moderate	15.2%	16	14.3%	15.3%	\$1,373	8.6%	14.3%	13	12.1%	14.2%	\$1,685	14.5%	12.2%
	Middle	62.0%	81	72.3%	62.4%	\$9,764	61.3%	58.8%	84	78.5%	63.3%	\$8,483	73.1%	60.1%
	Upper	21.6%	14	12.5%	21.1%	\$4,796	30.1%	26.0%	9	8.4%	21.5%	\$1,281	11.0%	26.6%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<b>Total</b>	<b>100.0%</b>	<b>112</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$15,940</b>	<b>100.0%</b>	<b>100.0%</b>	<b>107</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$11,610</b>	<b>100.0%</b>	<b>100.0%</b>

2010 U.S. Census, 2014 and 2015 Aggregate HMDA Data, 2014 and 2015 HMDA LARs.  
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Eastern originated 0.9 percent of its residential mortgage loans in low-income census tracts in both 2014 and 2015. This is slightly below, but in line with, the aggregate percentage, which was 1.3 percent and 1.0 percent in 2014 and 2015, respectively. This is also in line with the bank’s lending in low-income census tracts in 2013, when the bank originated 0.7 percent of its residential mortgage loans in low-income census tracts. Limited lending opportunities continued

in 2016 when the bank did not originate any residential mortgage loans in low-income census tracts, while the aggregate made only 1.2 percent of its residential mortgage loans in these tracts. There are limited lending opportunities for originating residential mortgage loans in low-income census tracts within the bank's assessment area. Only 1.2 percent of the assessment area's occupied units are in low-income census tracts. As discussed previously, only 18.5 percent of units in low-income census tracts are owner-occupied, while 65.4 percent are rental units, and 16.1 percent are vacant. Furthermore, with over three hundred different lenders originating or purchasing a residential mortgage loan in the assessment area in 2016, the limited number of available loans are spread out over the large number of financial institutions operating within the bank's assessment area. As such, both the bank and the aggregate's percentages of lending in these tracts are low.

By product type, the bank did not make any home purchase, refinance, or multifamily loans in 2014 and 2015. In 2014, the bank's home improvement lending in low-income census tracts, at 2.3 percent, exceeded the aggregate, 1.1 percent. Similarly, in 2015, the bank exceeded the aggregate's home improvement lending, originating 2.2 percent of its home improvement loans in low-income census tracts compared to the aggregate's 1.1 percent.

The bank made 14.3 percent and 12.1 percent of its residential mortgage loans, by number, in moderate-income census tracts in 2014 and 2015, respectively. This is an increase from the 8.0 percent in 2013. The bank's lending to borrowers in moderate-income census tracts in 2016 showed an increase from 2015 as it rose to 15.5 percent. Eastern's lending to borrowers in moderate-income census tracts was in line with the percent of owner-occupied units in the assessment area's moderate-income census tracts. As compared to the aggregate, the bank was slightly below the aggregate's lending to borrowers in moderate-income census tracts.

By product, the bank exceeded the aggregate by number with home improvement loans in 2014, refinance loans in 2015, and multifamily loans in 2015. Overall, the geographic distribution of loans reflects reasonable dispersion among census tracts of different income levels, including low- and moderate-income levels, particularly as Eastern operates in a competitive environment, and moderate-income census tracts contain only 15.2 percent of the assessment area's owner-occupied units.

The bank exceeded the demographic indicators for middle-income census tracts, where 62.0 percent of owner-occupied units are located, in 2014 and 2015 as it originated 72.3 and 78.5 percent of its HMDA-reportable lending in these census tracts. The bank did not reach the demographic indicators for upper-income census tracts, where 21.6 percent of owner-occupied units are located, in 2014 and 2015 having originated 12.5 and 8.4 percent of its HMDA-reportable loans in these census tracts. For both 2014 and 2015, the bank exceeded the aggregate in its HMDA-reportable lending in middle-income census tracts, but lagged the aggregate in residential mortgage lending in upper-income census tracts.

Small Business Lending

Table 9 below represents the distribution of small business loans by census tract income level.

Table 9 Geographic Distribution of Small Business Loans by Census Tract						
Census Tract Income Level	2014 % Total Business by Tracts	2014 Eastern Savings Bank		2015 % Total Business by Tracts	2015 Eastern Savings Bank	
	%	#	%	%	#	%
Low	2.8	0	0.0	2.7	2	8.3
Moderate	19.9	3	21.4	19.8	5	20.8
Middle	56.0	8	57.1	56.2	16	66.7
Upper	21.2	3	21.4	21.3	1	4.2
N/A	0.0	0	0.0	0.0	0	0
<i>Total</i>	<i>100.0</i>	<i>14</i>	<i>100.0</i>	<i>100.0</i>	<i>24</i>	<i>100.0</i>

*2014 and 2015 D&B data; 2014 and 2015 bank-provided data.*

*Total percentages shown may vary by 0.1 percent due to automated rounding differences.*

The bank did not originate any small business loans in low-income census tracts in 2014, but did originate two small business loans in 2015. While a small number, the percentage of the bank’s small business loans originated in low-income tracts in 2015 exceeds the percentage of businesses in these census tracts. The bank did not originate any small business loans in low-income census tracts in 2013, and originated two small business loans in low-income census tracts in 2016.

In 2014 Eastern originated 3 loans, 21.4 percent, in moderate-income census tracts. In 2015, the bank originated 5 loans, 20.8 percent, in moderate-income census tracts. This is in line with the percentage of businesses in moderate-income census tracts, which was 19.8 percent. The bank originated similar percentages of small business loans in moderate-income census tracts in 2013 and 2016 when it originated 3 loans, 30.0 percent, and 4 loans, 19.0 percent, respectively.

Eastern originated a majority of its small business lending in middle-income census tracts in both 2014 and 2015. In 2014, the bank’s percentage of lending in middle-income census tracts was in line with the percent of total businesses in these tracts, while in 2015 the bank’s lending exceeded this percentage. In 2015, the bank’s percentage of lending in upper-income census tracts was in line with the percentage of total businesses in these tracts. In 2015, the bank’s lending was below this percentage.

The bank demonstrates reasonable dispersion of small business lending throughout the assessment area.

**Response to Complaints**

The bank has not received any CRA-related complaints since the previous examination; therefore, this criterion was not assessed.

## **CONCLUSION**

The bank's performance in meeting credit needs in the assessment area is demonstrated by its record of extending loans to borrowers of different incomes, especially low- and moderate-income borrowers and small businesses. The bank has also met the credit needs in its assessment area by making the majority of its loans within its assessment area. The bank exhibited a reasonable distribution of loans across census tract and borrower income levels, and has maintained a reasonable LTD ratio. Given economic, demographic, and competitive conditions in the assessment area, the bank's lending levels reflect a reasonable level of responsiveness and is therefore rated "Satisfactory".

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Concurrent with this CRA evaluation, a review of the bank's compliance with consumer protection laws and regulations was conducted, and no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs were identified.

## INDIVIDUAL ASSESSMENT AREA/MSA DISCUSSIONS

As discussed, the bank's assessment area includes New London County, which comprises the entirety of the Norwich-New London, CT MSA, and Windham County, which is a portion of the Worcester, MA MSA. The bank's activity in each area is discussed separately here.

### Norwich-New London, CT MSA

According to the 2010 ACS data, the Norwich-New London, CT MSA is comprised of 66 census tracts, all of which are in the bank's assessment area. There are 3 low-, 13 moderate-, 32 middle-, 16 upper-, and 2 unknown-income census tracts. In this portion of the assessment area, 3.9 percent of families are low-income and 5.0 percent of the families in the assessment area have incomes below the poverty level; 19.7 percent are moderate-income; 48.9 percent are middle-income; and 24.2 percent are upper-income. There are 74,246 owner-occupied units; 1.5 percent are located in low-income census tracts, and 11.9 percent are located in moderate-income census tracts. The majority of owner-occupied units, 56.7 percent, are located in middle-income census tracts.

In 2016, businesses located in this portion of the assessment area totaled 12,607. Of these, 2.3 percent are located in low-income census tracts, 17.1 percent are located in moderate-income census tracts, 52.1 percent are located in middle-income census tracts, and 28.5 percent are located in upper-income census tracts. Businesses located in this portion of the assessment area with total revenue less than or equal to \$1 million total 11,628, which represents 92.2 percent of businesses in the area. Of these, 2.2 percent are located in low-income census tracts, 16.4 percent are located in moderate-income census tracts, 52.3 percent are located in middle-income census tracts, and 29.1 percent are located in upper-income tracts.

During the evaluation period, the bank originated a total of 348 HMDA-related and 59 small business loans within the Norwich-New London, CT MSA. Lending is in line with the overall performance in the assessment area as a whole. The bank made 12.1 percent and 19.8 percent of the HMDA-reportable loans to low- and moderate-income borrowers, respectively, in the MSA. Furthermore, 0.9 percent and 13.8 percent of HMDA-reportable loans were made in low- and moderate-income census tracts. One hundred percent of small business lending was made to businesses with revenue of \$1,000,000 or less, and Eastern made these loans in varying loan amounts to better suit the needs of the small business borrower. For instance, 22.0 percent of small business loans were made for amounts \$100,000 or less, 33.9 percent were made for amounts greater than \$100,000 and less than or equal to \$250,000, and 44.1 percent were made for amounts greater than \$250,000 and less than \$1,000,000.

### Worcester, MA MSA

According to the 2010 ACS data, the Worcester, MA-CT MSA is comprised of 197 census tracts; however, only Windham County, CT and its 25 census tracts, which is the portion of the MSA that is in Connecticut, is in the bank's assessment area. There are 1 low-, 6 moderate-, 17 middle-, and 1 upper-income census tracts. In this portion of the assessment area, 3.0 percent of families are low-income and 8.7 percent of the families in the assessment area have incomes

below the poverty level; 26.6 percent are moderate-income; 68.8 percent are middle-income; and 1.7 percent are upper-income. There are 48,518 housing units in Windham County, of which 64.7 percent are owner-occupied units. The majority (74.6 percent) of owner-occupied units are located in middle-income census tracts, while 23.1 percent are located in moderate-income census tracts. Only 0.4 percent and 1.9 percent are located in lower- and upper-income census tracts, respectively.

In 2016, businesses located in Windham County totaled 4,736. Of these, 3.9 percent are located in low-income census tracts, 27.2 percent are located in moderate-income census tracts, 67.1 percent are located in middle-income census tracts, and 1.8 percent are located in upper-income census tracts. Businesses located in this portion of the assessment area with total revenue less than or equal to \$1 million total 4,333, which represents 91.5 percent of businesses in the area. Of these, 3.8 percent are located in low-income census tracts, 26.6 percent are located in moderate-income census tracts, 67.9 percent are located in middle-income census tracts, and 1.7 percent are located in upper-income tracts.

Eastern's lending in Windham County is more limited than its lending in the Norwich-New London, CT MSA. This is attributable to a smaller branch presence. Eastern has just one branch in Windham County, and it is located in the southern portion of the county. During the evaluation period, the bank originated a total of 92 HMDA-related and 10 small business loans within Windham County. The bank made 8.7 percent and 18.5 percent of the HMDA-reportable loans to low- and moderate-income borrowers, respectively, in the county. No loans were made in the low-income census tract located in the town of Windham, CT, which is approximately 17 miles from the bank's nearest branch. Eastern made 5.4 percent of its HMDA-reportable loans in this county in moderate-income census tracts. One hundred percent of small business lending was made to businesses with revenue of \$1,000,000 or less. The distribution of small business loans by loan amount was 70.0 percent for amounts greater than \$100,000 and less than or equal to \$250,000, and 30.0 percent for amounts greater than \$250,000 and less than \$1,000,000. No loans were granted for amounts \$100,000 or less.