



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

March 12, 2018

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Eastern Savings Bank, FSB  
Charter Number 708183

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Hunt Valley, MD 21031-1026

Office of the Comptroller of the Currency  
400 7th Street S.W.  
Washington, DC 20291

**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 (LMI) neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not 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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## **Overall Community Reinvestment Act Rating: This institution is rated Satisfactory**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

The following major factors support the institution's rating:

- The average loan-to-deposit ratio is more than reasonable given the Bank's size, financial condition, and assessment area credit needs;
- The Bank provided an excellent level of community development activities given performance context factors;
- The distribution of home mortgage loans represents reasonable distribution among borrowers of different income levels;
- The geographic distribution of home mortgage loans reflects excellent distribution throughout the census tracts of different income levels;
- The Bank originated a majority of its primary loan product outside its assessment area, which is less than satisfactory performance; and
- The Bank did not receive any Community Reinvestment Act-related complaints during the evaluation period.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the Community Reinvestment Act (CRA) tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

**Census Tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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.

**Community Development:** Affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize LMI geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under Housing and Urban Development (HUD) Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the community development needs of its AA(s).

**Community Reinvestment Act (CRA):** The statute that requires the Office of the Comptroller of the Currency (OCC) to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**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).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the U.S. Census Bureau in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area (MSA) to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one- to four-family dwellings other than manufactured housing.

**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.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

**Median Family Income:** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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 percent and less than 120 percent, in the case of a geography

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

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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

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

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

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

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

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

## Description of Institution

Eastern Savings Bank, FSB (ESB or Bank) is a federally chartered thrift savings bank headquartered in Hunt Valley, MD. As of December 31, 2017, ESB reported total assets of \$330 million and tier 1 capital of \$72 million. As of the same date, ESB had net loans and leases of \$252 million and total deposits of \$622.7 million. Approximately 99.94 percent of the Bank's total loan portfolio was composed of real estate loans and 0.6 percent in individual loans.

As of the evaluation date, the Bank operates four full service branch offices. Of the branch offices, one office is in a moderate-income census tract (Pikesville); one office is in a middle-income census tract (Lutherville); and two offices (Ellicott City and Fullerton) are in upper-income census tracts. With the exception of the Ellicott City branch, which is open until 4 p.m., all branches offer office hours of 9:00 a.m. to 3:00 p.m. Monday through Thursday with extended hours until 6:00 p.m. on Friday. Additionally, Saturday hours are 9:00 a.m. to 1:00 p.m. In July 2017, the Bank discontinued offering Automated Teller Machines (ATMs) at the branch locations. The Bank contracted with AllPoint to allow fee free ATMs at over 55,000 worldwide locations for its customers. Then in February 2018, the Bank added the Money Pass network that offers thousands more U.S. ATM locations fee free for its customers. During the evaluation period, the Bank closed its existing Fullerton branch and relocated to a new branch office within one mile of the closed branch in northern Baltimore County, MD.

The Bank offers residential niche portfolio real estate loans, deposit products, and services. The Bank originates and purchases loans to hold in its portfolio. Lending products include mortgages and other real estate-secured loans for consumer and business purposes. Consumer deposit-related products include checking and savings accounts, certificates of deposit, individual retirement accounts, and money market accounts. Safe deposit boxes are available at three of the four branch locations and each branch contains a night depository for after-hours deposits. The Bank also provides online services to its customers that enable customers to pay bills, make transfers, and check account balances. The Bank offers 24-hour telephone banking for deposit account information. The Bank introduced a mobile banking product on March 19, 2018 that includes the availability of remote deposit capture for those enrolled in online and mobile banking.

The Bank is focused on improving its CRA rating and employed loan programs to improve loans made or purchased within the Bank's AA and to target loans to LMI individuals. This focus is an opportunity to consider each borrower's lending merits on an individual basis in conformance with the Bank's own standards.

There are no financial or legal impediments to hinder ESB's ability to help meet the credit needs of the communities it services. ESB received a "Needs to Improve" rating as a result of its previous Intermediate Small Bank CRA evaluation dated March 2, 2015.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

ESB was evaluated under the Intermediate Small Bank examination procedures. These procedures evaluate the Bank's performance based on a Lending Test and a Community Development Test. The Lending Test considers the Bank's performance pursuant to the following criteria: Loan-to-Deposit Ratio Analysis; AA Concentration; Geographic Distribution; Borrower Profile; and Response to CRA Complaints. The Community Development Test evaluates the Bank's responsiveness to community development needs in its AA through community development lending, qualified investments, and community development services.

Our assessment of the Bank's performance covered the time period from March 2, 2015, through March 12, 2018, which represents the evaluation period. Our assessment of the performance under the Lending Test is based on the loan originations and loan purchases of the Bank's primary loan product of home mortgage loans during the period. This evaluation considers reportable mortgage loans pursuant to the HMDA of 1,975 for the calendar years 2015 and 2016. The evaluation period for the Community Development Test is March 2, 2015, the date of the last CRA evaluation, through March 12, 2018. The analysis took into consideration the economic, financial, and environmental factors that impact the Bank's CRA performance. Demographic information was extracted from the 2010 U.S. Census data, and peer data was taken from 2016 aggregate HMDA information (the most recent year available) for HMDA reporting financial institutions that reported lending activity within the AA.

### **Data Integrity**

We tested the accuracy of the Bank's HMDA data. We also reviewed the appropriateness of community development activities provided for consideration of our evaluation. This included testing of community development loans, investments, and services for accuracy and to determine if they qualify as community development as defined in the CRA regulation. Our testing indicated that ESB's home mortgage loans and community development activity could be relied on for this evaluation.

### **Selection of Areas for Full-Scope Review**

ESB has one AA, and we performed a full scope review. ESB's AA includes areas within two contiguous MSAs: Baltimore-Towson MSA 12580 and Washington-Arlington-Alexandria, DC-VA-MD-WV MSA 47900, which is part of the Consolidated Statistical Area 548 (Washington-Baltimore-Arlington, DC-MD-VA-WV-PA). The MSA 47900 is further broken down into two metropolitan divisions: Metropolitan Division 47894 (Washington-Arlington-Alexandria, DC-VA-MD-WV), and Metropolitan Division 43524 (Silver Spring-Frederick-Rockville).

The Baltimore-Towson MSA includes Baltimore City and the whole counties of Anne Arundel, Baltimore, Carroll, Harford, and Howard. The Bank does not include Queen Anne's County since it is separated by the Chesapeake Bay, and the Bank does not have a branch presence in the county.

While ESB's AA contains more than one MSA in a consolidated statistical area and is delineated as a single AA, the Bank's CRA performance in the individual MSAs will be evaluated using separate median family income and other relevant information at the MSA level rather than at the consolidated statistical area level. The additional two MD contiguous counties are Prince George's and Montgomery.

For the purpose of this evaluation, both metropolitan divisions are combined, which will be referred to as the Washington-Arlington-Alexandria, DC-VA-MD MSA and will be evaluated separately. Additionally, the Baltimore-Towson MSA will be evaluated separately. The Baltimore-Towson MSA had the majority of deposits and loans. During the evaluation period, the Bank did not operate a branch or deposit taking ATM in the Washington-Arlington-Alexandria, DC-VA-MD MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Please refer to the table in Appendix B that provides demographic data for the AA.

## **Ratings**

The Bank's overall rating is based solely on the full scope review of its one AA.

## **Other**

In assessing the Bank's performance, we contacted a local organization within the Bank's AA. The organization's mission is to stimulate the revitalization of Central Baltimore, and based on the community development contact feedback from the representative, there is an ongoing need for support of programs that will help to reduce and eliminate vacant and abandoned properties. There is a need to support programs that will help increase housing diversity in every neighborhood throughout the region. The contact indicated there is a need to provide support for workforce and job training programs to allow people to obtain better paying, living wage jobs. Lastly, there is a need to support programs to allow capacity building among local non-profit organizations.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) and 195.28(c), in determining a national bank's or federal savings association's (FSA) CRA rating respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of HUD, and the Consumer Financial Protection Bureau.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this bank.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this bank that other regulators may provide to the OCC before the end of the bank's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

ESB's performance under the Lending Test is rated Satisfactory. The loan-to-deposit ratio is more than reasonable. The Bank originated a majority of its primary loan product outside its AA, which is less than satisfactory performance. The record of lending to borrowers of different incomes reflects reasonable distribution among borrowers of different income levels within the AA, when considering performance context factors. The geographic distribution of mortgage loans reflects excellent distribution within the AA. All lending test criteria are listed below.

### LENDING TEST

#### Loan-to-Deposit Ratio

ESB's quarterly average net loan-to-deposit ratio is more than reasonable and is considered outstanding performance. The Bank's quarterly average loan-to-deposit ratio over the 11-quarter review period was 89.16 percent. During this 11-quarter period, the ratio ranged from a quarterly low of 71.13 percent to a quarterly high of 112.46 percent. The quarterly average net loan-to-deposit ratio for a peer group of six similarly situated banks located in the same MSA was 85.40 percent over the same period. The peer group's ratio ranged from a quarterly low of 75.99 percent to a quarterly high of 100.24 percent during that time period.

#### Lending in AA

ESB granted a majority of mortgage loans outside its delineated AA, which is considered less than satisfactory performance. ESB originated 43.56 percent of the number of loans and 28.01 percent of the dollar volume within its delineated AA during the evaluation period. This ratio is a Bank-wide calculation, and the analysis is limited to Bank-only originations and purchases. Refer to the following table for more information:

Table 1 - Lending in the AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside(000)		Total \$(000)
	#	%	#	%		\$(000)	%	\$	%	
HMDA-Reportable	71	43.56	92	56.44	163	17,258	28.01	44,354	71.99	61,612

Source: ESB's HMDA – reported data from 01/01/15 – 12/31/16.

#### Lending to Borrowers of Different Incomes

##### Performance in the Baltimore-Towson MSA

The distribution of loans reflects reasonable distribution among individuals of different income levels, and ESB's record of lending to borrowers of different incomes in the Baltimore-Towson MSA is considered satisfactory performance.

Our analysis took into consideration the limited opportunities to lend to low-income families given the cost of housing compared to median family income and the level of households below the poverty level. We also considered the significant market competition from local lenders, large national banks, and mortgage companies. Based on the 2010 U.S. Census data, the median cost of housing was \$ 294,597. The 2016 FFIEC updated median family income is \$86,700, which means a low-income family earned less than \$43,350. Additionally, moderate-income families earned at least \$43,350, but less than \$69,360. Therefore, LMI borrowers would have difficulty qualifying for home mortgage loans. Furthermore, 9.40 percent of households in the AA are below the poverty level.

The Bank's percentage of mortgage loans granted to low-income borrowers was below the level of lending to low-income borrowers by other HMDA-reporting lenders and was significantly below the percentage of low-income families residing within the AA. The percentage of lending to moderate-income borrowers was higher than both the AA demographics and the average of all HMDA-reporting lenders. Overall, ESB's lending to LMI borrowers represented 23.25 percent of AA lending, which is somewhat lower than the peer lending benchmark of 26.03 percent and significantly below the demographic benchmark of 38.85 percent.

The table below shows the distribution of HMDA loans in the AA among borrowers of different income levels for the period of January 1, 2015 through December 31, 2016. This is compared to the percentage of families in each income category as well as the aggregate peer performance in 2016, the most recent year for which data is available.

Table 2A - ESB HMDA-Reportable Loans By Borrower Income Level in the Baltimore-Towson MSA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar \$(000)	\$ Percent	Percent Families	2016 Aggr. HMDA
Low = <50%	2	4.65	143	1.42	21.54	7.64
Moderate = 50-79%	8	18.60	913	9.06	17.31	18.39
Middle = 80-119%	14	32.56	2,783	27.63	20.90	23.58
Upper = > 120%	19	44.19	6,235	61.89	40.24	50.38
<b>Total</b>	<b>43<sup>1</sup></b>	<b>100.00</b>	<b>10,074</b>	<b>100.00</b>	<b>100.00*</b>	<b>100.00*</b>

Source: ESB's HMDA data 1/1/2015 - 12/31/2016; 2010 U.S. Census data

\* Percentages may not add to 100 percent due to rounding.

### Performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA

Based on our review, the Bank's performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA is consistent with performance in the Baltimore-Towson MSA due to the same limitations.

The Bank's percentage of mortgage loans granted to low-income borrowers was zero and significantly below the level of lending to low-income borrowers by other HMDA-reporting

<sup>1</sup> Excludes 18 loans where no income was reported.

lenders and was significantly below the percentage of low-income families residing within the AA. The percentage of lending to moderate-income borrowers was below the AA demographics and significantly below the average of all HMDA-reporting lenders. Overall, ESB's LMI borrowers represented 16.67 percent of AA lending, which is lower than the peer lending benchmark of 33.25 percent and significantly below the demographic benchmark of 41.99 percent.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2015 through December 31, 2016, as compared to the percentage of families in each income category.

Table 2B - ESB HMDA-Reportable Loans By Borrower Income Level in the Washington-Arlington-Alexandria, DC-VA-MD MSA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar \$(000)	\$ Percent	Percent Families	2016 Aggr. HMDA
Low = <50%	0	0.00	0	0.00	22.71	10.60
Moderate = 50-79%	1	16.67	700	35.57	19.28	22.65
Middle = 80-119%	2	33.33	290	14.74	22.03	24.33
Upper = > 120%	3	50.00	978	49.70	35.97	42.42
<b>Total</b>	<b>6<sup>2</sup></b>	<b>100.00</b>	<b>1,968</b>	<b>100.00*</b>	<b>100.00</b>	<b>100.00</b>

Source: ESB's HMDA data 1/1/2015 - 12/31/2016; 2010 U.S. Census data

\* Percentages may not add to 100 percent due to rounding.

## Geographic Distribution of Loans

### Performance in the Baltimore-Towson MSA

The geographic distribution of loans reflects excellent distribution throughout the census tracts of different income levels, and ESB's performance is considered outstanding performance. There were no conspicuous gaps identified within ESB's AA.

The percentage of mortgage lending in both LMI geographies reflects excellent distribution and exceeded both the percentage of owner-occupied housing units (OOHUs) in the respective geographies as well as the peer lending benchmark. Overall, mortgage lending within LMI census tracts represented 40.99 percent of AA lending, which is significantly better than the average for all HMDA-reporting lenders of 14.63 and compares very well with the demographic benchmark of 22.73 percent. Accordingly, the Bank's record of geographic distribution of lending is considered outstanding performance.

The table below illustrates loan originations, categorized by geography income levels that were reported by ESB during the review period and compares this activity to the 2016 aggregate peer performance. The table also includes a comparison to the percentage of OOHUs within the Baltimore-Towson MSA.

<sup>2</sup> Excludes 4 loans where no income was reported.

Table 3A - ESB HMDA-Reportable Loans By Census Tract Income Level in the Baltimore-Towson MSA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	Percent OOHU <sup>3</sup>	2016 Aggr. HMDA
Low = <50%	5	8.20	1,032	7.22	5.76	3.03
Moderate = 50-79%	20	32.79	2,868	20.07	16.97	11.60
Middle = 80-119%	15	24.59	3,305	23.12	38.16	35.71
Upper = > 120%	21	34.43	7,088	49.59	39.11	49.67
<b>Total</b>	<b>61</b>	<b>100.00*</b>	<b>14,293</b>	<b>100.00</b>	<b>100.00*</b>	<b>100.00*</b>

Source: ESB's HMDA data 1/1/2015 - 12/31/2016; 2010 U.S. Census data

\* Percentages may not add to 100 percent due to rounding.

### Performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA

Based on our review, the Bank's performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA is consistent with performance in the Baltimore-Towson MSA.

The percentage of mortgage lending in low-income geographies reflects lower distribution compared to both the percentage of OOHUs in the geographic as well as the peer lending benchmark. The percentage of mortgage lending in moderate-income geographies reflects excellent distribution compared to both the percentage of OOHUs in the geographic as well as the peer lending benchmark. Overall, mortgage lending within LMI census tracts represented 50.00 percent of AA lending, which is significantly better than the average for all HMDA-reporting lenders of 24.94 and compares very well with the demographic benchmark of 29.54 percent. Accordingly, the Bank's record of geographic distribution of lending is considered outstanding performance.

The table below illustrates loan originations, categorized by geography income levels that were reported by ESB during the review period and compares this activity to the 2016 aggregate peer performance. The table also includes a comparison to the percentage of OOHUs within the Washington-Arlington-Alexandria, DC-VA-MD MSA.

Table 3B - ESB HMDA-Reportable Loans By Census Tract Income Level in the Washington-Arlington-Alexandria, DC-VA-MD MSA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	Percent OOHU <sup>4</sup>	2016 Aggr. HMDA
Low = <50%	0	0.00	0	0.00	3.55	2.71
Moderate = 50-79%	5	50.00	1,146	38.65	25.99	22.23
Middle = 80-119%	4	40.00	1,249	42.12	40.40	36.95
Upper = > 120%	1	10.00	570	19.22	30.06	38.11
<b>Total</b>	<b>10</b>	<b>100.00*</b>	<b>2,965</b>	<b>100.00*</b>	<b>100.00</b>	<b>100.00</b>

Source: ESB's HMDA data 1/1/2015 - 12/31/2016; 2010 U.S. Census data

\* Percentages may not add to 100 percent due to rounding.

<sup>3</sup> OOHUs. The numbers in this column represent the ratio of owner occupied housing units to the total number of owner-occupied housing units in the AA. Based on 2010 U.S. Census.

<sup>4</sup> OOHUs. The numbers in this column represent the ratio of owner occupied housing units to the total number of owner-occupied housing units in the AA. Based on 2010 U.S. Census.

## **Responses to Complaints**

ESB has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

ESB's performance under the Community Development Test is rated Outstanding. The Bank's community development performance demonstrates excellent responsiveness to community development in its AA through community development loans, investments, and services.

### **Number and Amount of Community Development Loans**

ESB demonstrated excellent responsiveness to the community development needs of the AA through community development loans. The Bank originated nine loans totaling approximately \$16.2 million during the evaluation period that qualify as community development loans. The loans supported affordable housing for LMI individuals and families that also included LMI seniors with assisted living. Examples of the community development loans originated by ESB are described below.

- In 2015, ESB funded \$9 million for an acquisition loan for land to a not-for-profit organization to establish a retirement community with assisted living facilities serving seniors with limited incomes.
- In 2015 and 2016, ESB funded three loans for a total of approximately \$4.03 million. The purpose of the loans was to finance apartment buildings for rental to LMI individuals.
- In 2017, ESB originated a loan for approximately \$2.2 million. The purpose of the loan was for an apartment building for low income senior housing.

### **Number and Amount of Qualified Investments**

The Bank's level of qualified investments and donations demonstrated excellent responsiveness to the community development needs in the AA. The Bank had qualified investments of approximately \$6.9 million during the evaluation period. The investments supported LMI programs to revitalize LMI neighborhoods with affordable housing initiatives, financial literacy, and educational programs to name a few. Examples of the community development investments by ESB are described below.

- Throughout the investment period, ESB provided over \$1.3 million in capital to a renovation company to purchase and renovate homes to sell to first time home buyers. Two of the homes were located in a moderate census tract.

- Contributions totaling \$116,880 were made to various organizations that provide community development services to LMI individuals and families including affordable housing, youth programs, food kitchens, and homeless shelters.
- ESB invested over \$4.2 million in certificates of deposit of minority-owned financial institutions that are both in the state of MD and throughout the U.S.

ESB's affiliate made donations of over \$1.3 million for educational purposes to include education programs, learning tools, and school maintenance projects within the AA for the benefit of LMI schools and LMI children.

### **Extent to Which the Bank Provides Community Development Services**

ESB's representatives, over the evaluation period, participated in various community development services that were responsive to the needs of its AA. A few of the community development services in which ESB representatives participated are described below.

- ESB management and employees provided over 2,400 hours of service to various community organizations involved in affordable housing, neighborhood revitalization, and financial literacy in local public schools during banking hours.
- An ESB executive officer lends financial expertise by serving on the Board of a nonprofit organization devoted to providing critical home repairs to low-income homeowners at no cost to the homeowners. Other Bank management and employees participate in an annual home repair project each spring.
- An ESB executive officer serves as Chairman of the Board of a not-for-profit organization providing financial expertise to the organization for the continued care to LMI aging in the AA.
- An ESB executive officer serves as Director and Treasurer for a non-profit organization providing financial expertise to the organization devoting efforts to the spiritual and leadership needs for the youth located within Baltimore.

### **Responsiveness to Community Development Needs**

The Bank's community development activities demonstrate excellent responsiveness to the needs and opportunities in the AA taking into consideration the Bank's capacity and availability of such opportunities within the Bank's AA. Community development lending provided affordable housing for LMI individuals. The Bank made numerous donations to organizations that provided needed housing, financial, and social services to LMI individuals and families that also includes seniors. Additionally, Bank employees provided an excellent level of community services to organizations offering services and financial literacy to LMI.

# Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term full-scope examination) and those that received a less comprehensive review (designated by the term limited-scope examination).

<b>Time Period Reviewed</b>	Lending Test (excludes Community Development loans): ((01/01/2015 to 12/31/2016)	
	Investment and Service Tests and Community Development Loans: (3/2/2015 to 3/12/2018)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Eastern Savings Bank Hunt Valley, MD	Residential Mortgage Loans Community Development Loans, Investments, and Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
The Goldsmith Family Foundation	Goldsmith Trust	Educational Donations
<b>List of Assessment Areas and Type of Examination</b>		
<b>AA</b>	<b>Type of Exam</b>	<b>Other Information</b>
1) Baltimore-Towson MSA 12580  Washington-Arlington- Alexandria, DC-VA-MD MSA 47900	Full-Scope	Portion of the Baltimore-Towson MSA 12580 comprised of: <i>Anne Arundel, Baltimore, Carroll, Harford, and Howard counties, MD, and Baltimore City.</i>  Portion of the Washington-Arlington- Alexandria, DC-VA-MD (Metropolitan Division 47894) comprised of: ➤ <i>Prince George's County, MD</i> Portion of the Silver Spring-Frederick- Rockville, MD (Metropolitan Division 43524) comprised of : ➤ <i>Montgomery county, MD</i>

## Appendix B: Community Profiles for Full-Scope Area

### Baltimore-Towson MSA 12580

Demographic Information for: Baltimore-Towson, MSA 12580						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	668	14.97	22.01	32.63	29.19	1.20
Population by Geography	2,662,691	10.80	20.95	34.76	32.97	0.52
Owner-Occupied Housing by Geography	677,848	5.76	16.97	38.16	39.10	0.01
Business by Geography	173,563	7.09	14.19	36.91	41.56	0.25
Farms by Geography	3,727	1.99	7.62	38.26	52.11	0.03
Family Distribution by Income Level	653,077	21.54	17.31	20.90	40.24	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	253,766	19.29	29.98	32.95	17.77	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		81,788 86,700 9.40%	Median Housing Value Unemployment Rate (12/31/2017 Bureau of Labor Statistics)	294,597 3.9%		

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2016 FFIEC updated median family income

ESB's banking activities within its AA were primarily conducted in MSA 12580. The Baltimore-Towson MSA consists of Baltimore City and the counties of Anne Arundel, Carroll, Harford, Baltimore, and Howard. All counties are contiguous geographies and do not arbitrarily exclude LMI geographies.

The Baltimore-Towson MSA consists of 668 census tracts, of which there are 100 low-income census tracts, 147 moderate-income census tracts, 218 middle-income census tracts, 195 upper-income census tracts, and eight census tracts that have not been assigned an income classification. The 2010 U.S. Census reported the total population at 2,662,691. There are 1,001,037 households and 653,077 families. There are 1,103,168 housing units, of which 61.45 percent are owner-occupied, 29.30 percent are rental-occupied, and 9.26 percent are vacant housing units. Approximately 5.76 percent of owner-occupied housing is located in low-income geographies, 16.97 percent in moderate-income geographies, 38.16 percent in middle-income geographies, and 39.10 percent in upper-income geographies. The median housing cost is \$ \$294,597.

The 2010 median family income was \$81,788, and the 2016 FFIEC updated median family income is \$86,700. Approximately 21.54 percent of families are low-income, 17.31 percent are moderate-income, 20.90 percent are middle-income, and 40.24 percent are upper-income. Additionally, 25.40 percent of households received social security, 19.64 percent were retired, and 9.40 percent of households were below the poverty level.

Competition for mortgage loans is strong and includes local commercial and savings banks and branches of larger regional and nationwide banks. Based on the most recent 2016 Peer Mortgage Data, there were 665 lending institutions within ESB's AA competing for mortgage applications. ESB ranks 267 with a market share of 0.02 percent. The top five lenders are: Wells Fargo Bank, NA; SunTrust Mortgage, Inc.; Quicken Loans; Pennymac Loan Services, LLC; and Freedom Mortgage Corporation.

Based on the June 30, 2017 FDIC Summary of Deposit Market Share report, ESB's deposit market share within the Baltimore-Towson MSA was 0.32 percent, ranking ESB 27 out of 56 institutions in the MSA. The Bank's primary competitors are: Bank of America, NA (81 offices and 27.90 percent market share); Manufacturers and Traders Trust Company (99 offices and 21.60 percent market share); PNC Bank, NA (94 offices and 10.62 percent market share); Wells Fargo Bank, NA (59 offices and 9.94 percent market share); and Branch Banking and Trust Company (78 offices and 7.60 percent market share).

According to the Bureau of Labor Statistics, the national unemployment rate was 4.1 percent as of December 31, 2017, and the preliminary unemployment rate for the Baltimore-Towson MSA was 3.9 percent.

Data compiled by Moody's Analytics indicates that employment growth in Baltimore-Columbia-Towson MSA plateaued around 1 percent year over year, making the metro area a below-average performer among large economies in the Northeast. The expansion is firmly intact; however, most major industries are adding jobs. At 3.9 percent, the unemployment rate is the lowest in nearly a decade. Average weekly earnings rose steadily over the year and are near a cyclical high. Multifamily building permits are showing fresh signs of life after a doleful start to 2017. Single-family housing building permits, on the other hand, are hovering around the same level of the past five years and are below the historical average. House prices are rising, but the pace lags the national average.

According to Moody's Analytics, strengths for the area include a hub for growing cybersecurity, established and well-funded medical research centers, and strong transportation and distribution industries. The weaknesses for the area are the decline in old-line manufacturing, above-average living and business costs, few transportation links to Washington, D.C., and below-average population growth.

There are ample opportunities available for banks to address community development and credit needs in the area. The area is served by several Community Development Financial Institutions, community development entities, and nonprofit entities.

## Washington-Arlington-Alexandria, DC-VA-MD MSA

Demographic Information: Washington-Arlington-Alexandria, DC-VA-MD MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	433	8.55	34.64	33.26	23.56	0.00
Population by Geography	1,835,197	8.31	32.83	34.64	24.22	0.00
Owner-Occupied Housing by Geography	438,862	3.55	25.99	40.40	30.06	0.00
Business by Geography	133,565	4.35	28.48	35.74	31.43	0.00
Farms by Geography	2,183	3.30	22.54	39.95	34.22	0.00
Family Distribution by Income Level	441,465	22.71	19.28	22.03	35.97	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	185,390	13.87	43.94	30.88	11.31	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		104,248 109,410 6.17%		Median Housing Value Unemployment Rate (12/31/2017 Bureau of Labor Statistics)	415,202 3.4%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2016 FFIEC updated median family income

The two metropolitan divisions are comprised of: Metropolitan Division 47894 (Washington-Arlington-Alexandria, DC-VA-MD-WV), and Metropolitan Division 43524 (Silver Spring-Frederick-Rockville, MD). Both are part of the greater Washington-Arlington-Alexandria DC-VA-MD-WV (MSA 47900). Metropolitan Division 47894 includes Prince George's County in MD. Metropolitan Division 43524 includes Montgomery County located in central MD. Both counties are contiguous geographies and do not arbitrarily exclude LMI geographies.

The Washington-Arlington-Alexandria DC-VA-MD-WV MSA consists of 433 census tracts, of which there are 37 low-income census tracts, 150 moderate-income census tracts, 144 middle-income census tracts, and 102 upper-income census tracts. The 2010 U.S. Census reported the total population at 1,835,197. There are 655,083 households and 441,465 families. There are 696,926 housing units, of which 62.97 percent are owner-occupied, 31.02 percent are rental-occupied, and 6.00 percent are vacant housing units. Approximately 3.55 percent of owner-occupied housing is located in low-income geographies, 25.99 percent in moderate-income geographies, 40.40 percent in middle-income geographies, and 30.06 percent in upper-income geographies. The median housing cost is \$415,202.

The 2010 median family income was \$104,248, and the 2016 FFIEC updated median family income is \$109,410. Approximately 22.71 percent of families are low-income, 19.28 percent are moderate-income, 22.03 percent are middle-income, and 35.97 percent are

upper-income. Additionally, 19.47 percent of households received social security, 18.76 percent were retired, and 6.17 percent of households were below the poverty level.

Based on the June 30, 2017 FDIC Summary of Deposit Market Share report, ESB does not have a deposit market share within the Washington-Arlington-Alexandria DC-VA-MD-WV MSA of the 33 institutions in the MSA. The Bank's primary competitors are: Bank of America, NA (55 offices and 19.49 percent market share); Capital One, NA (59 offices and 18.64 percent market share); and Sun Trust Bank with (58 offices and 12.31 percent market share).

According to the Bureau of Labor Statistics, the national unemployment rate was 4.1 percent as of December 31, 2017, and the preliminary unemployment rate for the Washington-Arlington-Alexandria DC-VA-MD-WV MSA was 3.4 percent.

According to Moody's Analytics, the area will expand at an average pace in 2018 as renewed growth in professional/business services rejuvenates the economy. Montgomery County garnered a spot on the short list of possible locations for Amazon's second headquarters. Amazon promises the headquarters will bring 50,000 high-paying jobs and \$5 billion in additional investments, which would generate stronger regional population growth and spur housing and consumer demand. Two other areas within the Washington metro area, Northern Virginia and the District of Columbia, also made the short list, highlighting the attractiveness of the region. Nearby Prince George's County's list of top five employers is the University of Maryland, Joint Base-Andrews Naval Air Facility, Internal Revenue Service, U.S. Census Bureau, and UPS.

There are ample opportunities available for banks to address community development and credit needs in the area as already identified.