



## **PUBLIC DISCLOSURE**

January 4, 2021

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

Eastern Savings Bank, FSB  
Charter Number 708183

11350 McCormick Rd., Suite 200  
Hunt Valley, MD 21031-1026

Office of the Comptroller of the Currency  
400 7th Street S.W.  
Washington, DC 20219

**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, 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 CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**

**The Lending Test is rated: Satisfactory**

The major factors that support this rating include:

- The lending test rating is based on an excellent distribution of loans in low- and moderate-income geographies, a majority of loans originated in the assessment areas (AA), and a loan-to-deposit (LTD) ratio that is more than reasonable.

### Loan-to-Deposit Ratio

Considering the bank's size and financial condition, and the credit needs of the AA, the bank's LTD ratio is more than reasonable.

Eastern Savings Bank, FSB (ESB)'s quarterly average net LTD ratio since the previous evaluation was 114.5 percent. The ratio ranged from a quarterly low of 111.1 percent as of March 31, 2019, to a quarterly high of 117.7 percent as of March 31, 2020. The ratio is calculated on a bank-wide basis. The quarterly average net LTD ratio for a custom peer group of four similarly situated institutions with assets ranging from \$327.5 million to \$488.7 million and located in the same MSA was 92.9 percent over the same period. The peer group's ratio ranged from a quarterly low average of 85.2 percent to a quarterly high average of 99.6 percent during that time period.

### Lending in Assessment Area

A majority of the bank's loans are inside its AA.

The bank originated and purchased 57.8 percent of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	88	56.1	69	43.9	157	38,067	53.3	33,349	46.7	71,416
2018	51	56.7	39	43.3	90	20,444	66.6	10,263	33.4	30,707
2019	38	64.4	21	35.6	59	8,723	46.8	9,924	53.2	18,647
<b>Subtotal</b>	<b>177</b>	<b>57.8</b>	<b>129</b>	<b>42.2</b>	<b>306</b>	<b>67,234</b>	<b>55.7</b>	<b>53,537</b>	<b>44.3</b>	<b>120,770</b>
<b>Total</b>	<b>177</b>	<b>57.8</b>	<b>129</b>	<b>42.2</b>	<b>306</b>	<b>67,234</b>	<b>55.7</b>	<b>53,537</b>	<b>44.3</b>	<b>120,770</b>

*Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data  
Due to rounding, totals may not equal 100.0*

This performance was factored positively into the overall analysis of the geographic distribution of lending by income level of geography.

## Description of Institution

Eastern Savings Bank, FSB (Eastern, ESB, bank, or institution) is a federally chartered thrift savings bank headquartered in Hunt Valley, Maryland (MD). During the evaluation period, the bank operated a number of service corporations that manage and dispose of real estate owned. The bank's affiliate, The Goldsmith Family Foundation, provides funding through grants and donations to low-income school projects and neighborhood improvement initiatives in the AA, which are being considered in this evaluation.

The bank's AA is located within the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA Combined Statistical Area (CSA) #548. The AA is based on the location of the bank's offices and includes:

- Baltimore-Columbia-Towson, MD Metropolitan Statistical Area (MSA) #12580:
  - Baltimore, Anne Arundel, Carroll, Harford, and Howard Counties, Maryland;
  - Baltimore City, Maryland
- Washington-Arlington-Alexandria, DC-VA-MD-WV Multistate MSA #47900:
  - Frederick-Gaithersburg-Rockville, MD Metropolitan Division (MD) #23224:
    - Montgomery County, Maryland;
  - Washington-Arlington-Alexandria, DC-VA-MD-WV MD #47894:
    - Prince George's County, Maryland

The OCC combined all the AA geographies into a single delineated rating area for this evaluation, which will be referred to as the Washington-Baltimore-Arlington CSA AA. The AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income geographies. The bank has not made any changes to its AA since the previous evaluation.

As of the evaluation date, ESB operates a main office in Hunt Valley, Maryland (MD) and four full-service branches. ESB's branches are located in the cities of Pikesville, Lutherville, Fullerton, and Ellicott City, MD. The Pikesville branch is located in a moderate-income geography, Lutherville is located in a middle-income geography, and both Fullerton and Ellicott City are located in upper-income geographies. There are no ESB branches located in low-income geographies. ESB operates a limited service teller window at its corporate headquarters in Hunt Valley, MD, which is open a few times a month for employees only. The bank did not open or close any branches during the evaluation period, nor were there any mergers or acquisitions. Branch hours of operations are comparable to other local financial institutions. None of the branch locations provide automated teller machines (ATMs). The bank is a member of two ATM networks that offer customers surcharge-free ATM transactions at participating ATM locations worldwide. In November 2017, the bank entered into a strategic alliance with a local life insurance company. Through this alliance, customers have access to a full array of insurance, financial services, and brokerage products.

ESB's principal business is retail banking, with a focus on one- to four-family lending as evidenced by the composition of its total assets. The bank is a portfolio lender and does not sell its loans or the servicing of its loans to the secondary market. During the evaluation period, ESB offered a variety of credit and deposit services to businesses and consumers. The bank's lending products included home

mortgages, home equity, multifamily, and commercial real estate loans secured by properties in the designated lending area. Deposit products included certificates of deposit, individual retirement accounts, money market, checking, and savings accounts. Alternative banking services included remote deposit capture, electronic statements, telephone banking, EasternEase online, and EasternEase mobile banking, which included an application compatible with all smartphones. The bank also offered safe deposit boxes, debit cards, and night depository services.

As of December 31, 2019, the bank had total assets of \$316.8 million. The loans and leases portfolio totaled \$234.6 million and represented 74 percent of total assets. Real estate loans accounted for \$237.5 million and represented 99 percent of total loans and leases. The bank's tier 1 capital was \$80.1 million, and deposits totaled \$200.7 million as of December 31, 2019.

There were no financial or legal impediments to hinder the bank's ability to help meet the credit needs of the communities it services. The bank's CRA performance was rated Satisfactory during its last Intermediate Small Bank CRA evaluation dated March 12, 2018.

## **Scope of the Evaluation**

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

ESB was evaluated using the Small Bank CRA examination procedures, which included a Lending Test. The Lending Test considered the bank's performance pursuant to the following criteria: Loan-to-Deposit Ratio Analysis; AA Concentration; Geographic Distribution; Borrower Distribution; and Response to CRA Complaints. At the option of bank management, and in accordance with the Interagency Small Bank CRA examination procedures, ESB submitted community development loans, investments, donations, and services completed during the review period.

The bank's primary loan product during the evaluation period was home mortgage loans. To evaluate performance under the Lending Test, the OCC reviewed home mortgage loans originated between January 1, 2017 and December 31, 2019. Examiners evaluated the bank's loans, investments, and services that satisfied the definition of community development made between March 12, 2018 and December 31, 2019.

The bank's data was compared to the U.S. Census Bureau's 2015 American Community Survey (ACS). This interim census activity updated income, population, and housing information, and resulted in changes to the income designations of some geographies. The impact of the 2015 ACS changes became effective January 1, 2017. The bank's AA was not impacted by this change; therefore, examiners performed a combined analysis of data from January 1, 2017 through December 31, 2019.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the coronavirus pandemic has had on economies across the United States are not addressed in this evaluation. Bank qualifying activities will be appropriately considered in the subsequent evaluation.

Refer to the table in appendix A for more information on the scope of review.

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

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

## **Ratings**

The bank’s overall rating is based solely on the State of Maryland rating, as it is the bank’s only rating area.

Refer to the “Scope” section under the state rating section for details.

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

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’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 Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## **State Rating**

### **State of Maryland**

**CRA rating for the State of Maryland:** Satisfactory

**The Lending Test is rated:** Satisfactory

The major factors that support this rating include:

- The bank’s LTD ratio is more than reasonable.

- A majority of the bank's home mortgage loans are within its AA.
- The geographic distribution of home mortgage loans is excellent.
- The bank did not receive any CRA related complaints during the evaluation period.

## **Description of Institution's Operations in Maryland**

The bank provides products and services in the state of Maryland through its main office and four full-service branches. The bank accepts deposits from anywhere in the United States, although it is primarily focused on deposit gathering in the state of Maryland. The bank originates loans from its offices in the state of Maryland, although it lends in the additional states of New York, New Jersey, Pennsylvania, and Delaware.

There have been no changes to the bank's AA since the previous evaluation. The AA is contiguous, meets the requirements of the CRA regulation, and does not arbitrarily exclude low- or moderate-income census tracts.

The AA is a competitive market for financial services. According to the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, there were 49 financial institutions within the bank's AA that operated 666 full-service branches with aggregate deposits of \$74.3 billion. Of these institutions, ESB ranked 29th with a 0.3 percent deposit market share. The largest competitors within the AA were Bank of America, N.A. with 29.6 percent market share, Manufacturers & Traders Trust Company with 19.3 percent market share, PNC Bank, N.A. with 10.2 percent market share, Wells Fargo Bank, N.A. with 9.5 percent market share, and Branch Banking and Trust Company with 7.2 percent market share.

As discussed in the Description of the Institution, during the evaluation period, home mortgage lending was the bank's primary lending focus in the AA. There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the bank's AA. According to the 2019 Peer Mortgage Data, there were 693 HMDA reporters who originated or purchased \$59.7 billion home mortgage loans within the bank's AA. The bank ranked 284th with a market share of 0.2 percent. The top five lenders were Wells Fargo Bank, N.A., Quicken Loans, PennyMac Loan Services LLC, SunTrust Bank, Inc., and Caliber Home Loans Inc., who held a combined market share of 20.3 percent in the AA.

According to the U.S. Bureau of Labor and Statistics as of December 2019, the unemployment rate for the Baltimore-Columbia-Towson, MD MSA was 3 percent, down from 4.6 percent in January 2018. The national unemployment rate as of December 2019 was 3.5 percent, and 3.4 percent for the state of Maryland.

## **Economic Data**

Baltimore City's economy is largely driven by maritime and port-related industries as well as medical and educational institutions. Baltimore is a center of education with well-known and prestigious colleges, universities, and medical schools, and operates a major east coast port. Moody's Analytics economic data reflect that major sectors of employment include law, finance, health, medicine and biosciences, leisure and hospitality, retail and entertainment, shipbuilding and maritime commerce, electronics, telecommunications, information technology, aerospace research, and city and federal

government. Major employers include Fort George G. Meade, Johns Hopkins University, Aberdeen Proving Ground, University of Maryland Medical System, Johns Hopkins Health System, U.S. Social Security Agency, MedStar Health, and Northrop Grumman Corporation.

According to the November 2019 Moody's Analytics report, strengths of the Baltimore-Columbia-Towson, MD MSA economy included having established medical research centers, strong transportation and distribution industries, and a growing cyber-security industry. The weaknesses included above-average living and business costs, few public transportation links with Washington DC, and below-average population growth.

The Moody's Analytics report notes that Baltimore-Columbia-Towson, MD MSA's economy is moving after a sluggish first half of the year. Employment growth picked up due to professional/business services, leisure/hospitality, construction, and logistics. However, other less timely but more accurate data dampen some of the optimism: The Quarterly Census of Employment and Wages points to a steep deceleration in the first six months of 2019, a trend that likely persisted in subsequent months. The labor market has still been strong enough to pull the jobless rate back to a cycle low even as the labor force expands. Hourly earnings and income growth trends are mediocre. The housing market remains stagnant. House price appreciation ranks in the bottom decile of northeastern metro areas and divisions.

The near-term outlook for Baltimore-Columbia-Towson, MD MSA according to Moody's Analytics is solid, if unspectacular. Key healthcare and professional/business services drivers will generate steady job and income growth, and housing will lend more support. Weak population gains and relatively high business costs cap upside potential long term, and employment growth will trail the U.S. average.

According to the November 2019 Moody's Analytics report, the economic drivers in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA are high per capita income and an educated workforce, it is a major center for computer systems design and tech-related professional services, and is a popular tourist destination. The labor market expanded mid-year, propelling the pace of employment growth ahead of the U.S. average. Housing affordability has improved some given lower mortgage rates. Federal spending for fiscal 2020 and 2021 should benefit the area. Tourism is positioned to perform well in the coming years. Lean inventories and improvement in sales will continue to put upward pressure on house prices at the expense of affordability. Federal government employment is expected to rebound and high-tech jobs are rising, the increase in highly paid workers will lead to stronger growth in household formation, a positive for the housing market and the broader economy. In the long term, Amazon's new headquarters will help grow the technology industry and further diversify the local economy. There is upside potential that Washington could attract some venture capital away from New York, Boston, or Philadelphia.

## **Community Contacts**

To gain a better understanding of local economic conditions and community needs, examiners reviewed information from a recent interagency CRA listening session of community development organizations. Among other things, the identified credit needs of the AA were affordable housing, access to credit for small businesses, neighborhood revitalization, financial coaching, board service and technical assistance, and homebuyer's education.

Examiners also made a community contact with a local nonprofit organization to identify opportunities and needs in the AA. The organization supports the revitalization and strengthening of underserved Baltimore neighborhoods through innovative and flexible financial resources designed to promote

community development. The contact stated that a number of Baltimore's neighborhoods are unbanked or underbanked as residents do not have access to traditional banking services. The majority of these neighborhoods have high minority populations and a high percentage of low-income residents. There is a need for greater investment in Baltimore's underserved neighborhoods, particularly west Baltimore which needs better access to traditional banking services, including bank branches. There is a need for lending for small businesses, financial support for local non-profit and community development organizations, support for revitalization and stabilization activities, and job training/workforce development for area residents.

The following table illustrates select demographic characteristics of the CSA:

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Eastern AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	1,102	12.1	26.2	33.1	27.3	1.3
Population by Geography	4,631,893	9.4	25.0	35.1	29.8	0.6
Housing Units by Geography	1,837,745	10.4	25.7	35.4	28.2	0.2
Owner-Occupied Units by Geography	1,103,989	4.6	19.6	38.7	37.0	0.1
Occupied Rental Units by Geography	585,646	17.8	36.1	31.1	14.5	0.5
Vacant Units by Geography	148,110	24.4	30.0	28.1	16.9	0.6
Businesses by Geography	326,942	5.4	19.9	37.6	36.6	0.5
Farms by Geography	6,367	2.5	15.2	38.2	44.1	0.1
Family Distribution by Income Level	1,117,880	23.1	17.7	20.2	39.0	0.0
Household Distribution by Income Level	1,689,635	25.0	16.7	18.1	40.2	0.0
Median Family Income MSA - 12580 Baltimore-Columbia-Towson, MD MSA		\$87,788	Median Housing Value			\$309,729
Median Family Income MSA - 23224 Frederick-Gaithersburg-Rockville, MD		\$112,655	Median Gross Rent			\$1,316
Median Family Income MSA - 47894 Washington-Arlington-Alexandria, DC- VA-MD-WV		\$106,105	Families Below Poverty Level			6.8%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data            Due to rounding, totals may not equal 100.0            (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The table below illustrates housing affordability calculations for the Washington-Baltimore-Arlington CSA AA. The monthly mortgage payment calculations assume a 30-year mortgage with a five percent interest rate, but does not include down payment, homeowner's insurance, real estate taxes, or any additional monthly expenses. The maximum low-income and maximum moderate-income annual calculations are based on 50 percent and 80 percent of the 2019 FFIEC adjusted median family income (MFI) for the MSA, respectively. In the Baltimore-Columbia-Towson, MD MSA, low-income borrowers would be challenged to afford the median home price, but moderate-income borrowers would be able to qualify. The median list price in the Baltimore-Columbia-Towson, MD MSA was \$269,995 in 2017 and \$299,950 in 2019 reflecting a percent change of 11.1 percent from 2017 to 2019 according to Realtor.com data.

<b>2019 Housing Affordability</b>									
<b>MD/MSA Name</b>	<b>2019 Updated MFI</b>	<b>Maximum Low-Income Annual Income</b>	<b>Maximum Affordable Mortgage Amount</b>	<b>Maximum Monthly Mortgage Payment</b>	<b>Maximum Moderate-Income Annual Income</b>	<b>Maximum Affordable Mortgage Amount</b>	<b>Maximum Monthly Mortgage Payment</b>	<b>2019 Median Home Sales Price*</b>	<b>Mortgage Payment Based on Sales Price</b>
MSA 12580	101,000	50,500	235,181	1,263	80,800	376,289	2,020	299,950	1,610
MSA 47894	114,700	57,350	267,081	1,263	91,760	427,330	2,294	470,000	2,523
MSA 23224	123,600	61,800	287,805	1,545	98,880	460,488	2,472	468,500	2,515

\*Source – National Association of Realtors 2019 median home sales price of existing single-family homes for Metropolitan Areas.

## **Scope of Evaluation in Maryland**

ESB has one AA in the state of Maryland, the Washington-Baltimore-Arlington CSA AA. A full-scope review was performed for that AA. As previously noted, the bank’s primary loan product was home mortgage loans which was reflective of the bank’s business strategy during the evaluation period.

Refer to the table in appendix A for more information on this AA.

## **LENDING TEST**

The bank’s performance under the Lending Test in Maryland is rated Satisfactory.

## **Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, the bank’s performance in the Washington-Baltimore-Arlington CSA AA is adequate.

## **Distribution of Loans by Income Level of the Geography**

The bank exhibits excellent geographic distribution of loans in the state.

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

Refer to Table O in the state of Maryland section of appendix D for the facts and data used to evaluate the geographic distribution of the bank’s home mortgage loan originations and purchases.

The percentage of home mortgage loans in both low- and moderate-income geographies exceeded the percentage of owner-occupied housing units and was significantly stronger than the aggregate distribution.

### ***Lending Gap Analysis***

Examiners did not identify any unexplained conspicuous gaps in the analysis.

## **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a poor distribution of loans to individuals of different income levels given the product lines offered by the bank.

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

Refer to Table P in the state of Maryland section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The percentage of home mortgage loans made to low- and moderate-income borrowers was substantially less than the percentage of low- and moderate-income families in the AA and significantly weaker than the aggregate distribution. Opportunities to lend existed as 23.1 percent of the families in the AA were low-income and 17.7 percent of families were moderate-income. During the evaluation period, the bank focused on lending to commercial entities that are not natural persons. The bank made nearly 120 or 67.8 percent of HMDA-reportable loans to investors with no income reported. These loans were originated for either multifamily or one- to four-family properties held for investment purposes.

### **Responses to Complaints**

There were no consumer complaints regarding the bank's CRA performance or complaints indicating illegal or discriminatory lending practices during the evaluation period.

## **COMMUNITY DEVELOPMENT**

Based on a full-scope review, the bank exhibited excellent responsiveness to community development needs in the state through community development loans, qualified investments, and community development services. As appropriate, the review considered the bank's capacity and the need and availability of such opportunities for community development in the bank's AA. Performance related to community development activities was not factored into the bank's overall CRA rating due to less than satisfactory performance in the bank's distribution of loans by income level of the borrower for home loans in the AA. The bank's performance for this lending test component was poor. A small institution, that is not an intermediate small institution, that meets each of the standards in the lending test for a "satisfactory" rating and exceeds some or all of those standards, may warrant an "outstanding" performance rating.

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

Refer to the Community Development (CD) Loans table below for the facts and data used to evaluate the bank's level of community development lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

<b>Community Development Loans</b>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Washington-Baltimore-Arlington CSA AA	5	100	15,329	100

The bank made five community development loans during the evaluation period totaling \$15.3 million, which represented approximately 19 percent of the bank's tier 1 capital. These loans exhibited excellent responsiveness to identified community development needs in the area. The bank's community development loans supported economic development activities, helped revitalize and stabilize a low-income area, and provided affordable housing for low- and moderate-income residents.

Below are notable examples of the bank's community development loans:

- A \$1.4 million loan to support a low-income housing tax credit (LIHTC) project, that consisted of 60-unit affordable rental housing in Baltimore City. The property was under the Department of Housing & Community Development (DHCP) regulatory agreement restricting 24 units at or below 40 percent of the area median income (AMI) and 36 units at or below 50 percent of the AMI until the year 2040.
- A \$12 million acquisition and development loan to finance an industrial site (former airplane manufacturing plant) into a multi-purpose property in Baltimore County. The redevelopment project was located in a moderate-income census tract that is designated as a Baltimore County enterprise zone and a federal opportunity zone. The project was also eligible for Federal and State Historic Tax Credit benefits as well as, Brownfield Tax Credits, Maryland Job Creation Tax Credits and More Jobs for Marylanders Tax Credits.

### Number and Amount of Qualified Investments

The Qualified Investments Table, shown below, sets forth the information and data used to evaluate the bank's level of qualified community development investments. This table includes all community development investments, including prior period investments that remain outstanding as of the examination date.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Washington-Baltimore-Arlington CSA AA	3	326	92	349	95	100	675	100	0	0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The bank reported 95 qualified investments totaling approximately \$675 thousand made to a variety of nonprofit organizations with primary missions of providing community services to low- and moderate-income individuals and families, affordable housing and revitalization and stabilization of low- and moderate-income areas. This total includes 92 grants and donations totaling approximately \$349 thousand and three prior period investments with a current value of approximately \$326 thousand.

Examples of qualifying activities include the following:

- The bank made annual grants of \$10 thousand to a nonprofit organization that assists low- and moderate-income families in securing or maintaining affordable housing in Northwest Baltimore.
- ESB's affiliate made financial contributions totaling \$100 thousand to support a nonprofit organization, affiliated with AmeriCorps that provides leadership to strengthen the movement for educational equality. Through the organization, recent college graduates commit two years of service to teaching in disadvantaged school districts suffering from teacher shortages.
- ESB's affiliate donated \$20 thousand to a Baltimore based nonprofit organization that provides both academic and social support to underperforming high school students struggling with poverty, drugs, and violence.

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

The bank provided an excellent level of community development services. Senior management and employees are very active in the community using their financial and technical expertise to provide financial services that benefit low- and moderate-income residents in the AA. During the evaluation period, 16 bank employees dedicated nearly 446 service hours of financial education, technical assistance, or service on boards of directors and committees of various qualified community organizations.

Examples of qualifying activities include the following:

- An executive vice president served as a board member for a nonprofit organization devoted to providing critical home repairs to low-income homeowners at no cost.
- A bank manager served as a board member for a nonprofit organization that teaches underperforming students financial life skills and offers incentives to improve their school performance.
- Three bank employees assisted a nonprofit organization in Baltimore City that serves as an all-inclusive resource to help stabilize the homeless through case management, rapid re-housing programs, aftercare coordination, and a housing program for homeless families and single women. These employees devoted 155 hours of financial literacy education to support the organization's activities.

The bank's delivery systems are reasonably accessible to all portions of the AA. The bank has four full-service branches in the AA. The bank has no branches in low-income geographies. The percentage of the bank's branch offices located in low- and moderate-income geographies is lower than the percentage of population within those geographies. The bank has two branches in middle and upper-income geographies within sufficient proximity to reasonably serve moderate-income geographies.

Additionally, the bank offers Internet and mobile banking services, which are available to individuals regardless of geography or income level.

## 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 MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	January 1, 2017 to December 31, 2019 Lending Test March 12, 2018 to December 31, 2019 CD Activities	
<b>Bank Products Reviewed:</b>	Home mortgage loans Community development loans, qualified investments, community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
The Goldsmith Family Foundation	Affiliate	Qualified investments (Grants)
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State of Maryland</b>		
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA AA	Full-scope	<b>Baltimore-Columbia-Towson, MD MSA</b> <i>- Baltimore, Anne Arundel, Carroll, Harford, and Howard Counties, and Baltimore City, Maryland</i>  <b>Frederick-Gaithersburg-Rockville, MD</b> <i>- Montgomery County, Maryland</i>  <b>Washington-Arlington-Alexandria, DC-VA-MD-WV MD</b> <i>- Prince George’s County, Maryland</i>

## Appendix B: Summary of MMSA and State Ratings

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<b>RATINGS: Eastern Savings Bank, FSB</b>	
<b>Overall Bank:</b>	<b>Lending Test Rating</b>
Eastern Savings Bank, FSB	Satisfactory
<b>State:</b>	
Maryland	Satisfactory

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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 United States Bureau of the Census in the most recent decennial census.

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

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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-Scope 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:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**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 state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

**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:** 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 Metropolitan Statistical Area 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.

**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 community development.

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

**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 Consolidated Report of Condition and Income (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.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

**Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2017-19	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Eastern AA	177	67,234	100.0	176,939	4.6	22.6	3.6	19.6	29.4	18.2	38.7	26.6	39.7	37.0	19.8	38.4	0.1	1.7	0.1	
<b>Total</b>	<b>177</b>	<b>67,234</b>	<b>100.0</b>	<b>176,939</b>	<b>4.6</b>	<b>22.6</b>	<b>3.6</b>	<b>19.6</b>	<b>29.4</b>	<b>18.2</b>	<b>38.7</b>	<b>26.6</b>	<b>39.7</b>	<b>37.0</b>	<b>19.8</b>	<b>38.4</b>	<b>0.1</b>	<b>1.7</b>	<b>0.1</b>	

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017-19	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Eastern AA	177	67,234	140.5	176,939	23.1	1.7	9.0	17.7	4.0	19.9	20.2	9.6	20.5	39.0	16.9	28.5	0.0	67.8	22.1	
<b>Total</b>	<b>177</b>	<b>67,234</b>	<b>140.5</b>	<b>176,939</b>	<b>23.1</b>	<b>1.7</b>	<b>9.0</b>	<b>17.7</b>	<b>4.0</b>	<b>19.9</b>	<b>20.2</b>	<b>9.6</b>	<b>20.5</b>	<b>39.0</b>	<b>16.9</b>	<b>28.5</b>	<b>0.0</b>	<b>67.8</b>	<b>22.1</b>	

Source: 2015 ACS Census ; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0