Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Robert F. Rivers
Name of the Holding Company Director and Official

Chairman
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding ***Availability*** *of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.*

Signature of Holding Company Director and Official

10/10/2019
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID 1427239
C.I.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2018
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Eastern Bank Corporation
Legal Title of Holding Company

One Eastern Place
(Mailing Address of the Holding Company) Street / P.O. Box

Boston	MA	01901
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Jim Harmacinski	Financial Analyst
Name	Title

781-598-7356
Area Code / Phone Number / Extension

781-477-1208
Area Code / FAX Number

j.harmacinski@easternbank.com
E-mail Address

www.easternbank.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? (0=No, 1=Yes) 0

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report [ ]
2. a letter justifying this request has been provided separately [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

The following list is a reference for the responses submitted to each of the report items
for the 2018 Annual Report FR Y-6 for Eastern Bank Corporation.

Report Item 1a: Form 10-K

N/A

Report Item 1b: Annual Report

Enclosed is the 2018 Consolidated Eastern Bank Corporation Annual Report.

Report Item 2a: Organization Chart

Attached is an organization chart of Eastern Bank Corporation's direct and indirect ownership of all its banks and nonbank subsidiaries.

Report Item 2b: Domestic Branch Listing

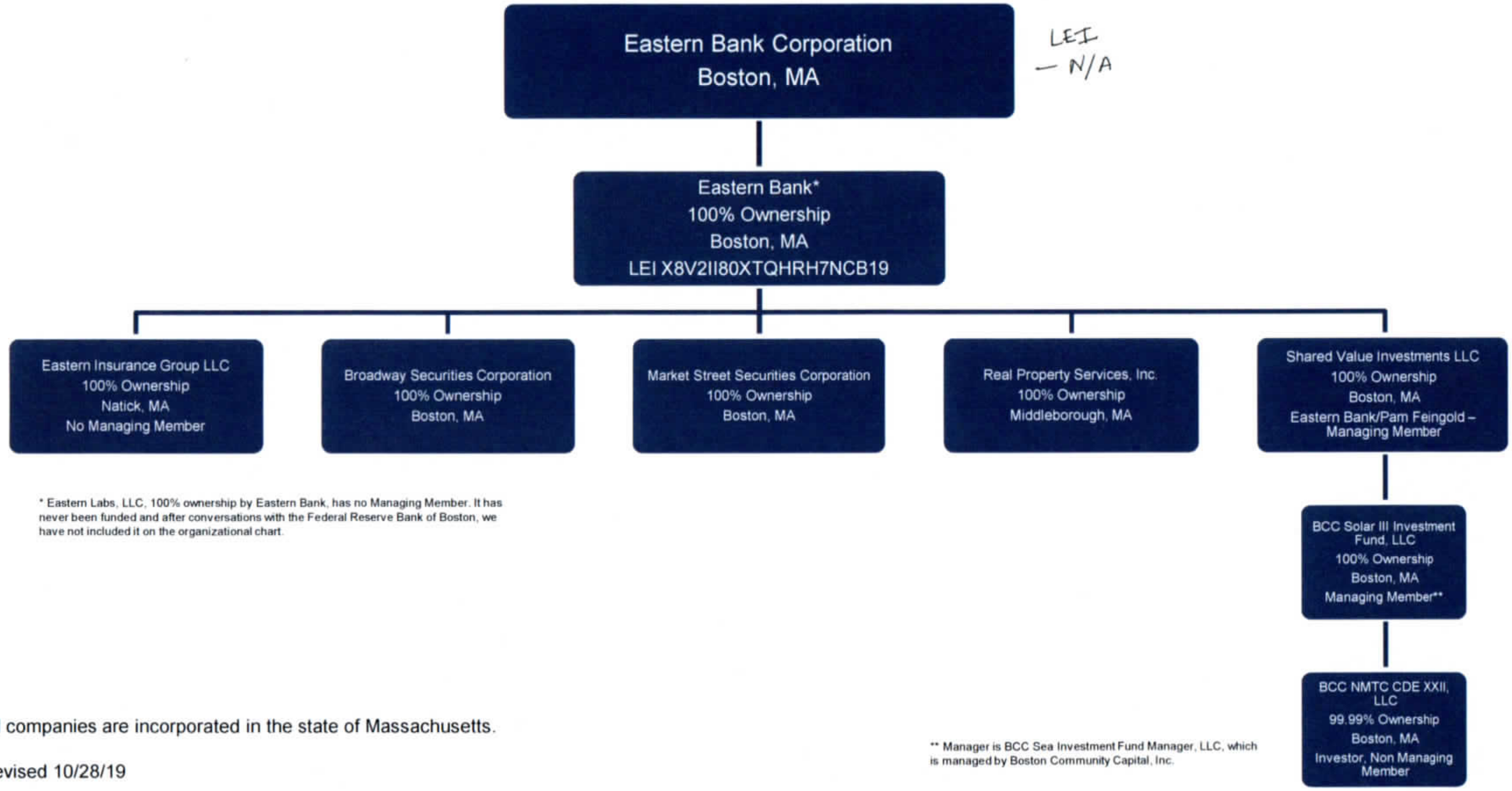
Attached is the list of Eastern Bank Corporation's branches

Report Item 3: Shareholders

Eastern Bank Corporation is a mutually owned holding company with no shareholders.

Report Item 4: Directors and Officers

Attached is a list of the information requested for Eastern Bank Corporation's Board of Directors and Executive Officers.



* Eastern Labs, LLC, 100% ownership by Eastern Bank, has no Managing Member. It has never been funded and after conversations with the Federal Reserve Bank of Boston, we have not included it on the organizational chart.

** Manager is BCC Sea Investment Fund Manager, LLC, which is managed by Boston Community Capital, Inc.

All companies are incorporated in the state of Massachusetts.

Revised 10/28/19

Results: A list of branches for your depository institution: EASTERN BANK (ID_RSSD: 128904).
This depository institution is held by EASTERN BANK CORPORATION (1427239) of BOSTON, MA.
The data are as of 12/31/2018. Data reflects information that was received and processed through 01/06/2019.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	128904	EASTERN BANK	265 FRANKLIN STREET	BOSTON	MA	02110	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Limited Service	4183835	ANDOVER BRANCH	60 MAIN STREET	ANDOVER	MA	01810	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3281855	COMMONWEALTH AVENUE BRANCH	2060 COMMONWEALTH AVENUE	AUBURNDALE	MA	02466	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	199708	81 BRIDGE STREET BRANCH	81 BRIDGE STREET	BEVERLY	MA	01915	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	559209	BEVERLY BRANCH	33 ENON STREET	BEVERLY	MA	01915	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2612340	BACK BAY STATION BRANCH	155 DARTMOUTH STREET	BOSTON	MA	02116	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	689302	FRANKLIN STREET BRANCH	63 FRANKLIN STREET	BOSTON	MA	02110	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	5222076	ROXBURY BRANCH	1413 TREMONT STREET	BOSTON	MA	02120	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	27904	BRAINTREE BRANCH	51 COMMERCIAL STREET	BRAINTREE	MA	02184	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2847067	BRIDGEWATER BRANCH	110 MAIN STREET	BRIDGEWATER	MA	02324	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	1223879	BELMONT STREET MAIN BRANCH	1265 BELMONT STREET	BROCKTON	MA	02301	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	703404	QUINCY STREET BRANCH	276 QUINCY STREET	BROCKTON	MA	02302	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3386291	COOLIDGE CORNER BRANCH	301 HARVARD STREET	BROOKLINE	MA	02446	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2595612	MIDDLESEX MALL BRANCH	43 MIDDLESEX TURNPIKE, SUITE 10	BURLINGTON	MA	01803	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2269203	FRESH POND MALL BRANCH	176 ALEWIFE BROOK PARKWAY	CAMBRIDGE	MA	02138	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3697380	HARVARD SQUARE BRANCH	ONE BRATTLE STREET	CAMBRIDGE	MA	02138	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
Change	9/27/2016	Full Service	695200	KENDALL SQUARE BRANCH	ONE BROADWAY	CAMBRIDGE	MA	02142	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3391174	MASS AVE BRANCH	647 MASSACHUSETTS AVENUE	CAMBRIDGE	MA	02139	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	1906239	CHELMSFORD BRANCH	291 CHELMSFORD STREET	CHELMSFORD	MA	01824	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3820740	CHELSEA BRANCH	90 EVERETT AVENUE	CHELSEA	MA	02150	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2247443	DANVERS BRANCH	4 FEDERAL STREET	DANVERS	MA	01923	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3223631	DEDHAM MALL BRANCH	240 PROVIDENCE HIGHWAY	DEDHAM	MA	02026	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	4398956	ASHMONT STATION BRANCH	1906 DORCHESTER AVENUE	DORCHESTER	MA	02124	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	984306	DRACUT BRANCH	45 BROADWAY RD	DRACUT	MA	01826	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	941608	DEPOT STREET BRANCH	19 DEPOT ST	DUXBURY	MA	02332	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3183360	SHAW'S SUPERMARKET BORDER STREET	246 BORDER STREET	EAST BOSTON	MA	02128	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2615891	EAST WAREHAM BRANCH	3003 CRANBERRY HIGHWAY	EAST WAREHAM	MA	02538	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	171478	EVERETT BRANCH	738 BROADWAY	EVERETT	MA	02149	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	5112261	FALMOUTH 815 BRANCH	815 MAIN STREET	FALMOUTH	MA	02540	BARNSTABLE	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2320195	HINGHAM BRANCH	274 MAIN STREET	HINGHAM	MA	02043	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3956304	HYANNIS BRANCH	375 IYANNOUGH ROAD	HYANNIS	MA	02601	BARNSTABLE	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2841711	CENTRE STREET BRANCH	687 CENTRE STREET	JAMAICA PLAIN	MA	02130	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	756905	KINGSTON BRANCH	108 MAIN STREET	KINGSTON	MA	02364	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3379257	LAKEVILLE BRANCH	45 MAIN STREET	LAKEVILLE	MA	02347	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	4759623	LAWRENCE - NECC BRANCH	420 COMMON STREET	LAWRENCE	MA	01840	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	4352499	LAWRENCE BRANCH	486 ESSEX STREET	LAWRENCE	MA	01840	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3343173	DEPOT SQUARE BRANCH	1833 MASSACHUSETTS AVENUE	LEXINGTON	MA	02420	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	1927328	LOWELL/CENTRAL SAVINGS BRANCH	50 CENTRAL STREET	LOWELL	MA	01852	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	

OK		Full Service	666602	BOSTON STREET BRANCH	156 BOSTON STREET	LYNN	MA	01904	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	933902	FIRST COLONIAL MAIN BRANCH	112 MARKET STREET	LYNN	MA	01901	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	852900	LYNNFIELD BRANCH	45 SALEM STREET	LYNNFIELD	MA	01940	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	1972485	PLEASANT STREET BRANCH	130 PLEASANT STREET	MALDEN	MA	02148	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2595621	CROSBY MARKETPLACE BRANCH	118 WASHINGTON STREET	MARBLEHEAD	MA	01945	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	940003	MARION BRANCH	340 FRONT ST	MARION	MA	02738	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2684329	MARSHFIELD BRANCH	1932 OCEAN STREET	MARSHFIELD	MA	02050	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	474003	WINDMILL SQUARE BRANCH	1560 OLD POST ROAD	MARSTONS MILLS	MA	02648	BARNSTABLE	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	1411957	MASHPEE BRANCH	6 SHELLBACK WAY	MASHPEE	MA	02649	BARNSTABLE	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	939801	UPLAND WAY BRANCH	29 COUNTY RD	MATTAPOISETT	MA	02739	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	932008	MEDFORD BRANCH	53 LOCUST STREET	MEDFORD	MA	02155	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	558707	MELROSE BRANCH	441 MAIN STREET	MELROSE	MA	02176	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3393114	NATICK BRANCH	2 SOUTH AVENUE	NATICK	MA	01760	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	277008	STOREY AVENUE BRANCH	17 STOREY AVENUE	NEWBURYPORT	MA	01950	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2539184	NEWTON BRANCH	188 NEEDHAM STREET	NEWTON	MA	02464	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3391165	NEWTON CENTRE BRANCH	1255 CENTRE STREET	NEWTON CENTER	MA	02459	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	708100	NORWELL OFFICE	80 WASHINGTON STREET	NORWELL	MA	02061	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2948759	BROOKSBY VILLAGE BRANCH	100 BROOKSBY VILLAGE DRIVE	PEABODY	MA	01960	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3921003	BROOKSBY VILLAGE II BRANCH	300 BROOKSBY VILLAGE DRIVE	PEABODY	MA	01960	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	1966064	PEABODY BRANCH	37 FOSTER STREET	PEABODY	MA	01960	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2471127	SHAW'S NORTH-SHORE SHOPPING CEN	114 ESSEX CENTER DRIVE	PEABODY	MA	01960	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	882000	PLYMOUTH BRANCH	36 MAIN ST	PLYMOUTH	MA	02360	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2536389	QUINCY BRANCH	63 FRANKLIN STREET	QUINCY	MA	02169	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	89005	WOLLASTON BRANCH	34 CHAPMAN STREET	QUINCY	MA	02170	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	315704	RANDOLPH BRANCH	35 MEMORIAL PARKWAY	RANDOLPH	MA	02368	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	685407	MASSBANK MAIN OFFICE	123 HAVEN STR	READING	MA	01867	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	5142017	REVERE BRANCH	339 SQUIRE STREET	REVERE	MA	02151	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	433804	DERBY STREET BRANCH	19 CONGRESS STREET	SALEM	MA	01970	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	665007	HAWTHORNE SHOPPING CENTER BRAN	SIX TRADER'S WAY	SALEM	MA	01970	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	436403	SALEM MAIN BRANCH	139 WASHINGTON STREET	SALEM	MA	01970	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	757407	SANDWICH CENTER BRANCH	65C ROUTE 6A	SANDWICH	MA	02563	BARNSTABLE	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	133300	LYNNFELLS BRANCH	605 BROADWAY	SAUGUS	MA	01906	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	498607	SAUGUS MAIN BRANCH	466 LINCOLN AVE	SAUGUS	MA	01906	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	332970	SHARON MAIN OFFICE	7 SOUTH MAIN STREET	SHARON	MA	02067	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3391183	SOMERVILLE BRANCH	250 ELM STREET	SOMERVILLE	MA	02144	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2616263	SOUTH BOSTON BRANCH	470 WEST BROADWAY	SOUTH BOSTON	MA	02127	SUFFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	815802	STONEHAM BRANCH	163 MAIN STREET	STONEHAM	MA	02180	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2379250	STOUGHTON BRANCH	397 WASHINGTON STREET	STOUGHTON	MA	02072	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	934404	PARADISE ROAD BRANCH	405 PARADISE ROAD	SWAMPSCOTT	MA	01907	ESSEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3217845	COUNTY STREET BRANCH	742 COUNTY STREET	TAUNTON	MA	02780	BRISTOL	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	797506	TEWSKBURY BRANCH	1800 MAIN ST	TEWKSBURY	MA	01876	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	662408	WAKEFIELD BRANCH	445 MAIN STREET	WAKEFIELD	MA	01880	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	479802	PLYMOUTH SAVINGS MAIN OFFICE	226 MAIN STREET	WAREHAM	MA	02571	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2950332	WATERTOWN SQUARE BRANCH	ONE CHURCH STREET	WATERTOWN	MA	02472	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	1412918	PLYMOUTH BRANCH	71 CARVER ROAD	WEST PLYMOUTH	MA	02360	PLYMOUTH	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	921600	WESTFORD BRANCH	203 LITTLETON RD	WESTFORD	MA	01886	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	1472707	WEYMOUTH BRANCH	1150 WASHINGTON STREET	WEYMOUTH	MA	02189	NORFOLK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	367703	WILMINGTON BRANCH	370 MAIN ST	WILMINGTON	MA	01887	MIDDLESEX	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	2816474	CENTRIX MAIN OFFICE	1 ATWOOD LANE	BEDFORD	NH	03110	HILLSBOROUG	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	4456865	CONCORD BRANCH	11 SOUTH MAIN STREET	CONCORD	NH	03301	MERRIMACK	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3956050	CENTRAL AVENUE BRANCH	538 CENTRAL AVENUE	DOVER	NH	03820	STRAFFORD	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3153402	HOOKSETT ROAD BRANCH	41 HOOKSETT ROAD	MANCHESTER	NH	03104	HILLSBOROUG	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	4576204	TRAFALGAR SQUARE BRANCH	11 TRAFALGAR SQUARE, SUITE 105	NASHUA	NH	03063-199	HILLSBOROUG	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	
OK		Full Service	3383656	PORTSMOUTH BRANCH	163 DEER STREET	PORTSMOUTH	NH	03801	ROCKINGHAM	UNITED STATES	Not Required	Not Required	EASTERN BANK	128904	

Form FR Y -6
Eastern Bank Corporation
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)©

(1)Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & position with Subsidiaries (include names of subsidiaries)	(3)© Title & Position with Other Businesses (include names of other businesses)	(4)© List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Richard C. Bane Boston, MA	Health Care Executive	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	President/Owner - Bane Care Management LLC (and affiliates) Partner - Aurum Network Partner - Boston Healthcare Ventures LLC Director - Tailored Risk Assurance Company Board Member - Mass Senior Care Association	Bane Care Management (and affiliates), 60% Aurum Network, 25% Boston Healthcare Ventures, LLC, 16% N/A N/A
Luis Borgen Bolton, MA	Senior Vice President, Finance CFO Vistaprint	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	Senior Vice President - Finance CFO Vistaprint	N/A
Joseph Chung Cambridge, MA	Managing Director, Redstar Ventures	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	Partner, Redstar Investments I, LLC Director - ThirdChannel, Inc. Director - RSV Opco 5 Director - Money Experience, Inc.	Redstar Investments I, LLC, 50% Redstar Ventures, LLC 35% N/A N/A N/A
Paul M. Connolly Milton, MA	Retired	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	Director - John Hancock Insurance Companies Director - College Bound Dorchester Member, Advisory Board - UMass Boston College of Management Proprietor - Boston Athenaeum	N/A N/A N/A N/A
James B. Fitzgerald Boston, MA	N/A	Chief Financial Officer & Treasurer	Vice Chairman, Chief Financial Officer & Chief Administrative Officer of Eastern Bank	Trustee - Thompson Island Director - SBERA Trustee - Mass Taxpayers Foundation	N/A N/A N/A
Bari Harlam Cranston, RI	Chief Marketing Officer	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	Chief Marketing Officer for Hudson's Bay Company	N/A

Form FR Y -6
Eastern Bank Corporation
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)©

(1)Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & position with Subsidiaries (include names of subsidiaries)	(3)© Title & Position with Other Businesses (include names of other businesses)	(4)© List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Diane Hessan	Chief Executive Officer	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	CEO - Salient Ventures LLC	N/A
Boston, MA				Director - Brightcove	N/A
				Director - CoachUp	N/A
				Director - Tufts University	N/A
				Director - Mass Challenge	N/A
				Trustee - Beth Israel Deaconess	N/A
				Overseer - Boston Philharmonic	N/A
				Editorial Board - Boston Globe	N/A
				Director - Panera Bread	N/A
Richard E Holbrook	Retired Chairman and CEO	Chairman Emeritus, Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	Chairman, Board of Trustees - North Shore Medical Center	N/A
Medfield, MA				Member, Executive Committee - North Shore Medical Center	N/A
				Member, Finance Committee - North Shore Medical Center	N/A
				Member, Compensation Committee - North Shore Medical Center	N/A
				Board Member - Partners Healthcare System	N/A
				Chairman - Partners Audit and Compliance Committee	N/A
				Member, Nominating Committee - Partners HealthCare	N/A
				Member, Compensation Committee - Partners HealthCare	N/A
				Vice Chair Finance Committee - Partners HealthCare	N/A
				Board Member - Allways Health Partners	N/A
				Chairman, Audit Committee - Allways Health Partners	N/A
				Member, Finance Committee - Allways Health Partners	N/A
				Member, Compensation Committee - Allways Health Partners	N/A
				Treasurer, United Church of Christ Medfield	N/A
				Member, Audit Committee - Risk Management Foundation (CRICO)	N/A

Form FR Y -6
Eastern Bank Corporation
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)©

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Deborah C. Jackson	President, Cambridge College	Corporator, Trustee, Executive Committee Member, Lead Director	Director of Eastern Bank	Director - John Hancock Investments	N/A
Milton, MA				President - Cambridge College	N/A
				Director - National Association of Corporate Directors, New England	N/A
				Director - Massachusetts Women's Forum	N/A
Peter K. Markell	Executive Vice President Administration and Finance, CFO & Treasurer	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	Executive Vice President Administration and Finance, CFO & Treasurer - Partners Healthcare System	N/A
Milton, MA				Chair of Board - Boston College	N/A
				Director - Risk Management Foundation	N/A
				Director - McLean Hospital	N/A
Jan Miller	N/A	President	Vice Chairman and Chief Commercial Banking Officer of Eastern Bank	Director - Massachusetts Housing Investment Corporation	N/A
Boston, MA					
Quincy Miller	N/A	Vice Chair	President of Eastern Bank	Director - Greater Boston Foodbank	N/A
Milton, MA				Director - Bottom Line	N/A
				Director - Alliance For Business Leadership	N/A
				Director - Boys and Girls Club of Boston	N/A
				Board of Overseers - Greater Boston YMCA	N/A
Robert F. Rivers	N/A	Corporator, Trustee, Chairman, & Chief Executive Officer	Director, Chairman & Chief Executive Officer of Eastern Bank	Chair - The Dimock Center	N/A
Needham, MA				Chair - Mass Business Roundtable	N/A
				Trustee - Stonehill College	N/A
				Director - Greater Boston Chamber of Commerce	N/A
				Director - The Lowell Plan	N/A
Greg Shell	Managing Director, Bain Capital	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	Director - Fiduciary Trust	N/A
Boston, MA				Director - Boys and Girls Club	N/A
				Director - Mass Challenge	N/A
				Member of President's Council - Mass General Hospital	N/A
				Director - The Boston Foundation	N/A
				Director - UP Academy	N/A
Paul D. Spiess	Retired	Corporator, Trustee, Executive Committee Member	Director of Eastern Bank	President - Parkhurst Place Inc.	N/A
Amherst, NH				President and Director - Souhegan Valley Interfaith Housing Corp.	N/A
				Trustee - Spiess Family Farm Trust	Spiess Family Farm Trust, 25%

Eastern Bank Corporation
2018 Annual Report

Eastern Bank Corporation

Management's Letter

2018 was a record-breaking year for Eastern in all respects. Our net income of $122.7 million was an all-time high and exceeded the results from our prior record in 2017 by over 40%. Total assets grew to $11.4 billion, also a record and a 5% increase from 2017. Loans, deposits and capital levels also all set record highs with loans ending the year at $8.8 billion or an increase of over $600 million from 2017; deposits were $9.4 billion, up 7% from 2017; and capital exceeded $1.4 billion, or an increase of $102.6 million from 2017 levels. Our loan credit quality remained stellar with very low loan losses of 0.10% of average loans and non-performing loans of 0.29% of total loans.

Rising interest rates and a very strong local economy helped us generate these record results. The company's net interest income (the difference between interest earned on loans and investments less interest paid on deposits and other funding sources) was $390 million, or $51.5 million above 2017, as higher interest rates on loans and investments exceeded higher costs of deposits and other funding. Our net interest margin improved to 3.84% from 3.65% in 2017 as our asset sensitive balance sheet that we had positioned for rising rates paid dividends.

Although we had strong lending volumes in all our businesses, our Commercial Banking Group had an exceptional year as commercial loans increased from $5.4 billion to $5.9 billion, or 10%. Our commitment to Small Business remains as strong as ever as we were ranked the #1 SBA lender in New England for the 9th consecutive year.

Many of our other businesses had very successful years as well. Eastern Insurance Group exceeded $1 billion in total premiums for the second year in a row and produced record revenues of over $90 million. Eastern Wealth Management saw investment management fees increase 8% to $19.1 million. Our retail businesses, both consumer lending and our branch-based deposit groups, had outstanding years as well.

We leveraged our existing platforms to generate these great results with expenses of $398 million, which was up 2% from 2017. We are realizing benefits from many of our investments in technology and people over the last few years. We believe our Online Mobile upgrades from 2017 and 2018 have strengthened the experience for our consumer customers and look forward to the upgrades planned in 2019 for our commercial and business customers. In addition, we have been making continued investments in our new commercial lending origination system and platform, and we look to continuously improve our consumer lending origination system introduced in 2017 and add more sophisticated data analytics. We are confident all of these will provide value to our customers and allow us to leverage these investments in the future.

The Tax Reform Act of 2017 lowered our overall tax rate from 38.5% in 2017 to 22.1% in 2018.

As a mutual institution, our capital base is critical to our health and future success. We ended 2018 with over $1.4 billion in capital after adding $102.6 million through the year primarily due to our earnings. Our capital ratios far exceed the bank regulatory minimums and we also exceed the "well-capitalized" standards set by our regulators. In addition, our balance sheet is extremely strong with excellent loan quality, ample liquidity and robust capital levels.

We were very pleased with these record results in 2018 and would like to thank our 1,926 Eastern colleagues for making them happen. We believe we are well positioned for continued success and look forward to achieving new highs in 2019.

ROBERT F. RIVERS
Chair and Chief Executive Officer

DEBORAH C. JACKSON
Lead Director

QUINCY L. MILLER
Vice Chair and President

JAMES B. FITZGERALD
Vice Chair, Chief Financial Officer & Chief Administrative Officer

Financial Highlights

	December 31				
(Dollars in thousands)	**2018**	**2017**	**2016**	**2015**	**2014**
Balance Sheet Data					
Total assets	**$ 11,378,287**	$ 10,873,073	$ 9,801,109	$ 9,588,786	$ 9,447,895
Securities and short-term investments	**1,618,802**	1,766,213	1,284,080	1,651,562	1,892,865
Residential loans	**1,430,764**	1,290,461	1,153,735	1,041,072	1,032,066
Consumer loans	**1,501,209**	1,548,287	1,539,534	1,607,804	1,587,400
Commercial loans and leases	**5,924,030**	5,388,293	5,011,862	4,482,592	4,148,394
Total loans and leases	**8,856,003**	8,227,041	7,705,131	7,131,468	6,767,860
Total deposits	**9,399,493**	8,815,452	8,188,950	8,133,730	7,802,133
Total retained earnings	**1,433,141**	1,330,514	1,254,927	1,205,014	1,143,256
Average total assets	**11,137,370**	10,391,796	9,913,145	9,667,907	8,927,931
Average earning assets	**10,298,162**	9,566,544	9,077,633	8,871,112	8,205,256
Average total deposits	**9,161,981**	8,684,043	8,416,777	8,031,975	7,282,736
Operating Data					
Net interest income	**$ 390,044**	$ 338,514	$ 293,574	$ 274,977	$ 234,588
Provision for credit losses	**15,100**	5,800	7,900	(325)	1,750
Noninterest income	**180,595**	197,727	169,128	153,007	147,382
Noninterest expense	**397,928**	389,413	367,643	333,695	298,131
Income before income taxes	**157,611**	141,028	87,159	94,614	82,089
Net income	**122,727**	86,697	62,714	62,564	55,050
Other Data					
Return on average assets	**1.10%**	0.83%	0.63%	0.65%	0.62%
Return on average equity	**9.02%**	6.62%	5.06%	5.33%	4.78%
Net interest margin (FTE)	**3.84%**	3.65%	3.33%	3.17%	2.93%
Equity to assets ratio	**12.60%**	12.24%	12.80%	12.57%	12.06%

Average Balance Sheets

The following tables present average balances, interest rates and yields (tax equivalent basis) for the years indicated:

(Dollars in thousands)	Average Balance (2018)	Interest Income/Expense (2018)	Average Yield/Rate (2018)
Assets			
Loans and leases:			
Residential mortgage loans	$ 1,358,387	$ 49,840	3.67 %
Commercial loans and leases	5,653,675	262,234	4.64
Consumer loans	1,554,087	59,669	3.84
Total loans and leases	8,566,149	371,743	4.34
Investment securities	1,539,901	45,707	2.97
Federal funds sold and other short-term investments	192,112	3,412	1.78
Total earning assets	10,298,162	420,862	4.09
Noninterest-bearing assets	839,208		
Total assets	$ 11,137,370		
Liabilities and Retained Earnings			
Deposits:			
Savings accounts	$ 1,048,289	229	0.02
Interest checking accounts (1)	1,821,854	3,325	0.18
Money market investment (1)	2,422,531	9,988	0.41
Time accounts	452,885	3,843	0.85
Total interest-bearing deposits	5,745,559	17,385	0.30
Borrowed funds	410,312	7,737	1.89
Total interest-bearing liabilities	6,155,871	25,122	0.41
Demand accounts (1)	3,416,422		
Other noninterest-bearing liabilities	204,515		
Retained earnings	1,360,562		
Total liabilities and retained earnings	$ 11,137,370		
Net interest income		$ 395,740	
Interest spread			3.68 %
Net interest income to earning assets			3.84 %

(1) Balances shown for interest checking accounts, money market investments, and demand accounts do not reflect the impacts of certain sweep programs designed to manage reserve requirements at the Federal Reserve Bank of Boston.

(Dollars in thousands)	2017 Average Balance	Interest Income/Expense	Average Yield/Rate
Assets			
Loans and leases:			
Residential mortgage loans	$ 1,221,924	$ 43,968	3.60 %
Commercial loans and leases	5,203,327	213,078	4.10
Consumer loans	1,543,107	52,629	3.41
Total loans and leases	7,968,358	309,675	3.89
Investment securities	1,353,286	43,538	3.22
Federal funds sold and other short-term investments	244,900	2,800	1.14
Total earning assets	9,566,544	356,013	3.72
Noninterest-bearing assets	825,252		
Total assets	$ 10,391,796		
Liabilities and Retained Earnings			
Deposits:			
Savings accounts	$ 1,021,419	240	0.02
Interest checking accounts (1)	1,602,995	1,011	0.06
Money market investment (1)	2,261,096	2,023	0.09
Time accounts	377,276	962	0.25
Total interest-bearing deposits	5,262,786	4,236	0.08
Borrowed funds	204,294	2,656	1.30
Total interest-bearing liabilities	5,467,080	6,892	0.13
Demand accounts (1)	3,421,257		
Other noninterest-bearing liabilities	194,039		
Retained earnings	1,309,420		
Total liabilities and retained earnings	$ 10,391,796		
Net interest income		$ 349,121	
Interest spread			3.59 %
Net interest income to earning assets			3.65 %

(1) Balances shown for interest checking accounts, money market investments, and demand accounts do not reflect the impacts of certain sweep programs designed to manage reserve requirements at the Federal Reserve Bank of Boston.

Ernst & Young LLP
200 Clarendon Street
Boston, MA 02116

Tel: +1 617 266 2000
Fax: +1 617 266 5843
ey.com

Report of Independent Auditors

The Board of Directors
Eastern Bank Corporation

We have audited the accompanying consolidated financial statements of Eastern Bank Corporation, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in retained earnings and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eastern Bank Corporation at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 18, 2019

Eastern Bank Corporation

Consolidated Balance Sheets

	December 31			
	2018		2017	
Assets	*(In Thousands)*			
Cash and due from banks	**$**	**149,703**	$	96,541
Other short-term investments		**110,005**		214,612
Cash and cash equivalents		**259,708**		311,153
Trading securities		**52,899**		46,791
Securities available for sale		**1,455,898**		1,504,810
Loans held for sale		**22**		2,354
Loans and leases, net of allowance for credit losses of $80,655 in 2018 and $74,111 in 2017		**8,774,913**		8,153,986
Federal Home Loan Bank stock, at cost		**17,959**		24,270
Premises and equipment		**66,475**		73,725
Bank-owned life insurance		**75,434**		76,161
Goodwill and other intangibles, net		**381,276**		373,042
Deferred income taxes, net		**37,676**		28,205
Rabbi trust assets		**64,819**		70,924
Other assets		**191,208**		207,652
Total assets	**$**	**11,378,287**	$	10,873,073
Liabilities and retained earnings				
Liabilities:				
Deposits:				
Demand	**$**	**337,169**	$	358,817
Savings		**999,649**		1,033,520
Interest checking		**464,352**		270,030
Money market investment		**7,123,375**		6,777,091
Time		**277,740**		294,713
Time - $250,000 and over		**197,208**		81,281
Total deposits		**9,399,493**		8,815,452
Borrowed funds		**334,287**		526,505
Other liabilities		**211,366**		200,602
Total liabilities		**9,945,146**		9,542,559
Retained earnings		**1,508,902**		1,379,006
Accumulated other comprehensive income, net of tax:				
Unrealized (depreciation) appreciation on securities available for sale		**(19,360)**		9,212
Funded status of defined benefit postretirement plans		**(59,389)**		(57,704)
Unrealized appreciation on cash flow hedges		**2,988**		-
Total retained earnings		**1,433,141**		1,330,514
Total liabilities and retained earnings	**$**	**11,378,287**	$	10,873,073

See accompanying notes.

Eastern Bank Corporation

Consolidated Statements of Income

	Year Ended December 31			
	2018		2017	
	(In Thousands)			
Interest and dividend income:				
Loans, including fees	**$**	**369,148**	$	304,601
Trading securities		**1,033**		748
Taxable securities available for sale		**31,988**		28,157
Tax-exempt securities available for sale		**9,585**		9,100
Federal funds sold and other short-term investments		**3,412**		2,800
Total interest and dividend income		**415,166**		345,406
Interest expense:				
Deposits		**17,384**		4,236
Borrowed funds		**7,738**		2,656
Total interest expense		**25,122**		6,892
Net interest income		**390,044**		338,514
Provision for allowance for credit losses		**15,100**		5,800
Net interest income after provision for credit losses		**374,944**		332,714
Noninterest income:				
Insurance commissions		**91,885**		83,147
Service charges on deposit accounts		**26,897**		26,677
Debit card processing fees		**16,162**		20,173
Trust and investment advisory fees		**19,128**		17,642
Interest rate swap income		**5,012**		4,380
(Loss) income from investments held in rabbi trusts		**(1,542)**		6,587
Trading securities gains, net		**2,156**		2,235
Net gain on sales of mortgage loans held for sale		**397**		822
Gains on sales of securities available for sale, net		**50**		11,356
Gains on sales of other assets		**1,989**		6,075
Other		**18,461**		18,633
Total noninterest income		**180,595**		197,727
Noninterest expense:				
Salaries and employee benefits		**232,690**		229,315
Office occupancy and equipment		**35,480**		35,773
Data processing		**45,260**		44,475
Professional services		**14,973**		13,253
Charitable contributions		**13,251**		8,701
Marketing		**11,100**		10,922
FDIC insurance		**4,180**		3,295
Amortization of intangible assets		**3,891**		3,488
Other		**37,103**		40,191
Total noninterest expense		**397,928**		389,413
Income before income tax expense		**157,611**		141,028
Income tax expense		**34,884**		54,331
Net income	**$**	**122,727**	$	86,697

See accompanying notes.

Eastern Bank Corporation

Consolidated Statements of Comprehensive Income

	Year Ended December 31	
	2018	**2017**
	(In Thousands)	
Net income	**$ 122,727**	$ 86,697
Other comprehensive income, net of tax:		
Unrealized gains (losses) on securities available for sale:		
Change in fair value of securities available for sale	**(30,485)**	10,978
Less: reclassification adjustment for gains (losses) included in net income	**40**	6,737
Net change in fair value of securities available for sale	**(30,525)**	4,241
Unrealized gains(losses) on cash flow hedges:		
Change in fair value of cash flow hedges	**3,849**	-
Less: reclassification adjustment for income (expense)	**861**	-
Net change in fair value of cash flow hedges	**2,988**	-
Defined benefit pension plans:		
Amortization of actuarial net loss	**5,479**	4,172
Change in actuarial net loss	**1,926**	(19,555)
Amortization of prior service cost	**32**	32
Net change in actuarial net loss	**7,437**	(15,351)
Total other comprehensive income	**(20,100)**	**(11,110)**
Comprehensive income	**$ 102,627**	$ **75,587**

See accompanying notes.

Eastern Bank Corporation

Consolidated Statements of Changes in Retained Earnings

	Retained Earnings	Accumulated Other Comprehensive Income	Total
		(In Thousands)	
Balance at December 31, 2016	$ 1,292,309	$ (37,382)	$ 1,254,927
Net income	86,697	-	86,697
Other comprehensive income, net of tax	-	(11,110)	(11,110)
Balance at December 31, 2017	1,379,006	(48,492)	1,330,514
Opening balance reclassification [1] :			
Unrealized appreciation on securities available for sale	**(1,953)**	**1,953**	**-**
Actuarial net loss of defined benefit pension plans	**9,122**	**(9,122)**	**-**
Net income	**122,727**	-	**122,727**
Other comprehensive income, net of tax	-	**(20,100)**	**(20,100)**
Balance at December 31, 2018	**$ 1,508,902**	**$ (75,761)**	**$ 1,433,141**

(1) Opening balance reclassification adjustment, related to the adoption of Accounting Standards Update 2018-02, to reclassify amounts stranded in other comprehensive income to retained earnings as a result of the Tax Cuts and Jobs Act.

See accompanying notes.

Eastern Bank Corporation

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2018	**2017**
	(In Thousands)	
Operating activities		
Net income	**$ 122,727**	$ 86,697
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for allowance for credit losses	**15,100**	5,800
Depreciation	**16,177**	15,381
Amortization of intangible assets	**3,891**	3,488
Deferred income tax (benefit) expense	**(4,878)**	45,698
Amortization of premiums, discounts, and fees, net	**4,747**	2,874
Decrease (increase) in cash surrender value of bank-owned life insurance, net of benefit proceeds	**728**	(2,327)
(Increase) decrease in trading securities, net	**(6,108)**	4,872
Gain on sale of securities available for sale, net	**(50)**	(11,356)
Net gain on sale of mortgage loans held for sale	**(397)**	(822)
Proceeds from sale of loans held for sale	**108,788**	154,771
Originations of loans held for sale	**(106,059)**	(154,265)
Decrease (increase) in prepaid pension expense	**11,237**	(69,875)
Other, net	**35,486**	(30,097)
Net cash provided by operating activities	**201,389**	50,839
Investing activities		
Proceeds from sales of securities available for sale	**11,672**	83,501
Proceeds from maturities and principal paydowns of securities available for sale	**162,425**	185,919
Purchases of securities available for sale	**(167,584)**	(552,217)
Proceeds from sale of Federal Home Loan Bank stock	**18,346**	5,538
Purchases of Federal Home Loan Bank stock	**(12,035)**	(14,467)
Net increase in outstanding loans	**(637,518)**	(524,052)
Acquisitions, net of cash and cash equivalents acquired	**(11,500)**	(15,900)
Proceeds from sale of other real estate owned, net of acquired	**-**	909
Proceeds from sale of premises held for sale	**-**	66
Proceeds from sale of portion of reporting unit	**571**	-
Purchased banking premises and equipment, net	**(9,034)**	(12,409)
Net cash used in investing activities	**(644,657)**	(843,112)
Financing activities		
Net increase in demand, savings, interest checking, and money market investment deposit accounts	**485,087**	624,119
Net increase in time deposits	**98,954**	2,383
Net (decrease) increase in borrowed funds	**(192,218)**	372,174
Net cash provided by financing activities	**391,823**	998,676
Net (decrease) increase in cash and cash equivalents	**(51,445)**	206,403
Cash and cash equivalents at beginning of year	**311,153**	104,750
Cash and cash equivalents at end of year	**$ 259,708**	$ 311,153

See accompanying notes.

Eastern Bank Corporation
Notes to Consolidated Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

Nature of Operations

Eastern Bank Corporation (the Corporation) is a Massachusetts chartered mutual bank holding company. Through its wholly-owned subsidiaries, Eastern Bank (the Bank) and Eastern Insurance Group LLC, the Corporation provides a variety of banking, trust and investment, and insurance services.

The activities of the Corporation are subject to the regulatory supervision of the Federal Reserve Board. The activities of the Bank are subject to the regulatory supervision of the Federal Deposit Insurance Corporation (FDIC) and the Consumer Financial Protection Bureau (CFPB). The Corporation is also subject to various Massachusetts business and banking regulations, and the Bank is also subject to various Massachusetts and New Hampshire business and banking regulations.

Basis of Presentation

The consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiaries and a consolidated tax credit investment company. All significant intercompany accounts and transactions have been eliminated in consolidation. The Corporation consolidates: wholly-owned subsidiaries; any variable interest entities (VIEs) where the Corporation or one of the Corporation's wholly-owned subsidiaries was determined to be the primary beneficiary of the VIE; and any voting interest entities (VOEs) where either the Corporation or a wholly-owned subsidiary is determined to have control of the VOE.

Certain previously reported amounts have been reclassified to conform to the current year presentation.

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States (GAAP) and to the general practices of the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Material estimates that are particularly susceptible to change relate to the determination of the allowance for credit losses, valuation and fair value measurements, other-than-temporary impairment on investment securities, the liabilities for benefit obligations (particularly pensions), the provision for income taxes and the valuation of goodwill and other intangibles and their respective analyses of impairment.

The Corporation has evaluated subsequent events through March 18, 2019, which is the date that the consolidated financial statements were available to be issued.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method of accounting. Accordingly, the net assets of the companies acquired are recorded at their fair values at the date of acquisition. Goodwill represents the excess of purchase price over the fair value of net assets acquired. Other intangible assets represent acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights, or because the asset is capable of being sold or exchanged either on its own, or in combination with a related contract, asset, or liability.

The Corporation evaluates goodwill for impairment on an annual basis or whenever there is an indicator of impairment. Other intangible assets are reviewed for impairment whenever there is an indication of impairment, however, useful lives are evaluated annually. Any impairment losses are charged to earnings. The Corporation amortizes other intangible assets over their respective estimated useful lives. The estimated useful life of core deposit identifiable intangible assets fall within a range of seven to ten years and the estimated useful life of customer lists from insurance agency acquisitions is ten years. The estimated useful life of non-compete agreements resulting from insurance agency acquisitions are dependent upon the terms of the agreement. Intangible assets are stated at cost less accumulated amortization.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, Federal funds sold, and other short-term investments including restricted cash pledged, all of which mature within 90 days.

Securities

Debt and equity securities that are bought and held principally for the purpose of resale in the near terms are classified as trading and reported at fair value, with unrealized gains and losses included in earnings.

1. Summary of Significant Accounting Policies (continued)

Debt and equity securities classified as available for sale are reported at fair value, with unrealized gains and losses reported as a separate component of other comprehensive income, net of tax.

Management evaluates impaired securities available for sale (e.g., those for which fair value is less than cost) for other-than-temporary impairment (OTTI) at lease on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, current market conditions, the financial condition and near-term prospects of the issuer, performance of collateral underlying the securities, the ratings of the individual securities, the interest rate environment, the Corporation's intent to sell the security or whether it is more likely than not that the Corporation will be required to sell the debt security before its anticipated recovery, as well as other qualitative factors.

Premiums and discounts on investments and mortgage-backed securities are amortized or accreted to income using the effective interest rate method. If a decline in fair value below the amortized cost basis of an investment is judged to be other than temporary, the investment is written down to fair value. The portion of the impairment related to credit losses is included in earnings, and the portion of the impairment related to other factors is included in other comprehensive income. Gains and losses on sales of investments are recognized at the time of sale on the specific-identification basis.

Loans

Loans are reported at their principal amount outstanding, net of deferred loan fees and any unearned discount or unamortized premium for acquired loans. Unearned discount and unamortized premium are accreted and amortized, respectively, to income on a basis that results in level rates of return over the terms of the loans. Origination fees and related direct incremental origination costs are offset, and the resulting net amount is deferred and amortized over the life of the related loans using the interest method, assuming a certain level of prepayments. When loans are sold or repaid, the unamortized fees and costs are recorded to income.

1. Summary of Significant Accounting Policies (continued)

Interest accruals are generally discontinued when management has determined that the borrower may be unable to meet contractual obligations and/or when loans are 90 days or more in arrears, unless management believes that collateral held by the Corporation is clearly sufficient and full satisfaction of both principal and interest is highly probable or the loan is accounted for as a purchased credit-impaired loan. When a loan is placed on nonaccrual, all interest previously accrued but not collected is reversed against current period income and amortization of deferred loan fees is discontinued. Interest received on nonaccrual loans is either applied against principal or reported as income according to management's judgment as to the collectability of principal. Nonaccrual loans may be returned to an accrual status when principal and interest payments are no longer delinquent, and the risk characteristics of the loan have improved to the extent that there no longer exists a concern as to the collectability of principal and interest. Loans are considered past due based upon the number of days delinquent according to their contractual terms.

Impaired loans consist of all loans for which management has determined it is probable the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreements. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. The Corporation measures impairment of loans using a discounted cash flow method, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

The Corporation periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDR loans are considered impaired and therefore are subject to a specific review for impairment loss. The impairment analysis discounts the present value of the anticipated cash flows by the loan's contractual rate of interest in effect prior to the loan's modification or the fair value of collateral if the loan is collateral dependent. The amount of impairment loss, if any, is recorded as a specific loss allocation to each individual loan in the allowance for loan losses. Commercial loans (commercial and industrial, commercial real estate, commercial construction, and small business loans) and residential loans that have been classified as TDRs and which subsequently default are reviewed to determine if the loan should be deemed collateral dependent. In such an instance, any shortfall between the value of the collateral and the book value of the loan is determined by measuring the recorded investment in the loan against the fair value of the collateral less costs to sell.

1. Summary of Significant Accounting Policies (continued)

Acquired Loans

All acquired loans are recorded at fair value at the acquisition date with no carryover of the allowance for loan losses. At acquisition, loans are also reviewed to determine if the loan has evidence of deterioration in credit quality since origination and for which it is probable, at acquisition, that all contractually required payments will not be collected. Such loans are deemed to be purchased credit-impaired (PCI) loans. Under the accounting model for PCI loans, the excess of cash flows expected to be collected over the carrying amount of the loans, referred to as the "accretable yield," is accreted into interest income over the life of the loans using the effective yield method. Accordingly, PCI loans are not subject to classification as nonaccrual in the same manner as originated loans. Rather, acquired loans are considered to be accruing loans because their interest income relates to the accretable yield recognized and not to contractual interest payments at the loan level. The difference between contractually required principal and interest payments and the cash flows expected to be collected, referred to as the "nonaccretable difference," includes estimates of both the impact of prepayments and future credit losses expected to be incurred over the life of the loans.

The estimate of cash flows expected to be collected is regularly re-assessed subsequent to acquisition. These re-assessments involve updates, as necessary, of the key assumptions and estimates used in the initial estimate of fair value. Generally speaking, expected cash flows are affected by:

- *Changes in the expected principal and interest payments over the estimated life* – Changes in expected cash flows may be driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows resulting from loan modifications are included in the assessment of expected cash flows.

- *Change in prepayment assumptions* – Prepayments affect the estimated life of the loans, which may change the amount of interest income expected to be collected.

- *Change in interest rate indices for variable rate loans* – Expected future cash flows are based, as applicable, on the variable rates in effect at the time of the assessment of expected cash flows.

1. Summary of Significant Accounting Policies (continued)

A decrease in expected cash flows in subsequent periods may indicate that the loan is impaired which would require the establishment of an allowance for loan losses by a charge to the provision for loan losses. An increase in expected cash flows in subsequent periods serves, first, to reduce any previously established allowance for loan losses by the increase in the present value of cash flows expected to be collected, and results in a recalculation of the amount of accretable yield for the loan. The adjustment of accretable yield due to an increase in expected cash flows is accounted for as a change in estimate. The additional cash flows expected to be collected are reclassified from the nonaccretable difference to the accretable yield, and the amount of periodic accretion is adjusted accordingly over the remaining life of the loans.

A PCI loan may be resolved either through receipt of payment (in full or in part) from the borrower, the sale of the loan to a third party, or foreclosure of the collateral. For PCI loans accounted for on an individual loan basis and resolved directly with the borrower, any amount received from resolution in excess of the carrying amount of the loan is recognized and reported within interest income.

A refinancing or modification of a PCI loan accounted for individually is assessed to determine whether the modification represents a TDR. If the loan is considered to be a TDR, it will be included in the total impaired loans reported by the Corporation. The loan will continue to recognize interest income based upon the excess of cash flows expected to be collected over the carrying amount of the loan.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses

The allowance for credit losses is established to provide for probable losses incurred in the Corporation's loan portfolio at the balance sheet date and is established through a provision for credit losses charged to earnings. The allowance is based on management's assessment of many factors, including the risk characteristics of the loan portfolio, current economic conditions, and trends in loan delinquencies and charge-offs. Charge-offs, net of recoveries, are charged directly to the allowance. Commercial and residential loans are charged-off in the period in which they are deemed uncollectible. Delinquent loans in these product types are subject to ongoing review and analysis to determine if a charge-off in the current period is appropriate. For consumer finance loans, policies and procedures exist that require charge-off consideration upon a certain triggering event depending on the product type. Charge-off triggers include: 120 days delinquent for automobile, home equity, and other consumer loans with the exception of cash reserve loans for which the trigger is 150 days delinquent; death of the borrower; and chapter 7 bankruptcy. In addition to those events, the charge-off determination includes other credit quality indicators, such as collateral position and adequacy or the presence of other repayment sources.

The allowance for credit losses is evaluated on a regular basis by management. While management uses current information in establishing the allowance for losses, future adjustments to the allowance may be necessary if economic conditions or conditions relative to borrowers differ substantially from the assumptions used in making the evaluation. Management uses a methodology to systematically estimate the amount of credit loss incurred in the portfolio. Commercial real estate, commercial and industrial, and business banking loans are evaluated using a loan rating system, historical losses and other factors which form the basis for estimating incurred losses. Portfolios of more homogeneous populations of loans, including residential mortgages and consumer loans, are analyzed as groups taking into account delinquency ratios, historical loss experience and charge-offs.

1. Summary of Significant Accounting Policies (continued)

The allowance consists of specific and general components. The specific component consists of reserves for impaired loans (defined as those where management has determined it is probable it will not collect all payments when due), typically classified as either doubtful or substandard. For impaired loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the loan is lower than the carrying value of the loan. The general component covers non-impaired non-classified loans and is based on historical loss experience adjusted for qualitative factors. The qualitative factors include internal infrastructure factors, external macroeconomic factors, and internal portfolio factors, all customized to loan pools that include loans with similar characteristics. The general reserve rate is then determined as the greater of the rate arrived at via the qualitative factor methodology or the floor rate. The floors are determined by adjusting the Corporation's average loss rates by long run industry average loss rates, and then multiplying those by the industry loss emergence period.

In the ordinary course of business, the Corporation enters into commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. The credit risk associated with these commitments is evaluated in a manner similar to the allowance for loan losses. The reserve for unfunded lending commitments is included in other liabilities in the balance sheet.

Additionally, various regulatory agencies, as an integral part of the Corporation's examination process, periodically assess the appropriateness of the allowance for loan losses and may require the Corporation to increase its provision for loan losses or recognize further loan charge-offs, in accordance with U.S. GAAP.

1. Summary of Significant Accounting Policies (continued)

Mortgage Banking Activities

Mortgage loans held for sale to the secondary market are carried at the lower of cost or estimated market value. The Corporation enters into commitments to fund residential mortgage loans with an offsetting forward commitment to sell them in the secondary markets in order to mitigate interest rate risk. Derivatives associated with interest rate lock commitments and forward loan sale commitments are generally immaterial and are assessed for materiality periodically. Gains or losses on sales of mortgage loans are recognized at the time of sale. Interest income is recognized on loans held for sale between the time the loan is funded and the loan is sold. Direct loan origination costs and fees are deferred upon origination and are recognized on the date of sale.

Premises and Equipment Used in Operations

Land is carried at cost. Buildings, leasehold improvements, and equipment are stated at cost less accumulated depreciation and amortization, computed principally on the straight-line method over the estimated useful lives of the related assets or the terms of the leases, if shorter.

Premises and Equipment Held for Sale

Banking premises and equipment held for sale are carried at the lower of cost or estimated fair value less costs to sell.

Retirement Plans

The Corporation provides pension benefits to its employees through various pension plans. At the measurement date, plan assets are determined based on fair value, generally representing observable market prices. The actuarial cost method used to compute the pension liabilities and related expense is the projected unit credit method. The projected benefit obligation is principally determined based on the present value of the projected benefit distributions at an assumed discount rate. The discount rate which is utilized is determined using the spot rate approach whereby the individual spot rates on the Financial Times and Stock Exchange (FTSE) above-median yield curve are applied to each corresponding year's projected cash flow used to measure the respective plan's service cost and interest cost. Periodic pension expense (or income) includes service costs, interest costs based on the assumed discount rate, the expected return on plan assets, if applicable, based on an actuarially derived market-related value and amortization of actuarial gains and losses. The overfunded or underfunded status of the plans is recorded as an asset or liability on the consolidated balance sheets, with changes in that status recognized through other comprehensive income, net of related taxes.

1. Summary of Significant Accounting Policies (continued)

Variable Interest Entities and Voting Interest Entities

The Corporation is involved in the normal course of business with various types of special purpose entities, some of which meet the definition for VIEs and VOEs. The Corporation is required by GAAP to consolidate a VIE when the Corporation is deemed to be the primary beneficiary. This determination is evaluated periodically as facts and circumstances change.

A legal entity is referred to as a VIE if any of the following conditions exist: 1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties; 2) as a group, the holders of the equity investment at risk lack any of the characteristics of a controlling financial interest; or 3) the equity investors' voting rights are not proportional to the economics, and substantially all of the activities of the entity either involve or are conducted on behalf of an investor that has disproportionally few voting rights. The Corporation consolidates entities deemed to be VIEs when either the Corporation or a wholly-owned subsidiary is determined to be the primary beneficiary. The primary beneficiary analysis is a qualitative analysis based on power and benefits. An enterprise has a controlling financial interest in a VIE if it has both power and benefits – that is, it has 1) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance (power); and 2) the obligation to absorb losses of the VIE that potentially could be significant to the VIE and/or the right to receive benefits from the VIE that potentially could be significant to the VIE (benefits).

Under GAAP, investments in limited partnerships and similar entities that are not VIEs should be evaluated for potential consolidation under the voting model. The Corporation consolidates VOEs when either the Corporation or a wholly-owned subsidiary is determined to have control of the VOE.

1. Summary of Significant Accounting Policies (continued)

Rabbi Trust VIE

The Corporation established a rabbi trust to meet its obligations under certain executive non-qualified retirement benefits and deferred compensation plans and to mitigate the expense volatility of the aforementioned retirement plans. The rabbi trust is considered a VIE as the equity investment at risk is insufficient to permit the trust to finance its activities without additional subordinated financial support from the Corporation. The Corporation is considered the primary beneficiary of the rabbi trust as it has the power to direct the activities of the rabbi trust that significantly affect the rabbi trust's economic performance and it has the obligation to absorb losses of the rabbi trust that could potentially be significant to the rabbi trust by virtue of its contingent call options on the rabbi trust's assets in the event of the Corporation's bankruptcy. As the primary beneficiary of this VIE, the Corporation consolidates the rabbi trust investments, executive retirement benefits liabilities and deferred compensation plan liabilities. These rabbi trust investments consist primarily of cash and cash equivalents, U.S. government agency obligations, equity securities, mutual funds and other exchange-traded funds, and are recorded at fair value. Changes in fair value are recorded in noninterest income.

Tax Credit Investment VIE

Through a wholly-owned subsidiary, the Corporation is the sole member of a tax credit investment company through which it consolidates a community development entity (CDE) that is considered a VIE. The CDE is considered a VIE because as a group, the holders of the equity investment at risk lack any of the characteristics of a controlling financial interest. The tax credit investment company is considered the primary beneficiary of the CDE as it has the power to direct the activities of a VIE that most significantly impact the VIEs economic performance and the obligation to absorb losses of and the right to receive benefits from the VIE that potentially could be significant to the VIE.

1. Summary of Significant Accounting Policies (continued)

Bank Owned Life Insurance

Primarily as a result of mergers and acquisitions, the Corporation holds life insurance on the lives of certain participating executives. The amount reported as an asset on the balance sheet is the sum of the cash surrender values reported to the Corporation by the various insurance carriers. Certain policies are split-dollar life insurance policies whereby the Corporation recognizes a liability for the postretirement benefit related to the arrangement. This postretirement benefit is included in other liabilities on the balance sheet.

Income Taxes

The Corporation accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting basis and the tax basis of the Corporation's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Interest and penalties paid on the underpayment of income taxes are classified as income tax expense.

The Corporation periodically evaluates the sustainability of its tax positions as to whether it is more likely than not its position would be upheld upon examination by the appropriate taxing authority. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the consolidated financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

Low Income Housing Tax Credits and Other Tax Credit Investments

As part of its community reinvestment initiatives, the Corporation invests in qualified affordable housing projects and other tax credit investment projects. The Corporation receives low-income housing tax credits, investment tax credits, rehabilitation tax credits and other tax credits as a result of its investments in these limited partnership investments.

1. Summary of Significant Accounting Policies (continued)

The Corporation accounts for its investments in qualified affordable housing projects using the proportional amortization method and amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits allocated to the Corporation. The amortization of the excess of the carrying amount of the investment over its estimated residual value is included as a component of income tax expense. At investment inception, the Corporation records a liability for the committed amount of the investment. This liability is reduced as contributions are made.

The Corporation evaluates investments in tax credit investment companies for consolidation based on the variable or voting interest entity guidance, as appropriate.

Other tax credit investment projects are accounted for using either the cost method or equity method.

Advertising Costs

All advertising costs are expensed in the period in which they are incurred.

Insurance Commissions

Through Eastern Insurance Group LLC, the Corporation acts as an agent in offering property, casualty and life and health insurance to both personal and commercial customers. Personal lines insurance products include life, accident and health, automobile, and property and liability insurance including fire, condominium, home and tenants, among others. Commercial insurance products include group life and health, commercial property and liability, surety, and workers compensation insurance, among others. The Corporation recognizes insurance commission revenues when earned based upon the effective date of the insurance policy.

Trust Operations

The Bank is a full-service trust company that provides a wide range of trust services to customers that includes managing customer investments, safekeeping customer assets, supplying disbursement services, and providing other fiduciary services. Trust assets held in a fiduciary or agency capacity for customers are not included in the accompanying consolidated balance sheets as they are not assets of the Corporation. Revenue from administrative and management activities associated with these assets is recorded on an accrual basis.

1. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

Derivative instruments are carried at fair value in the Corporation's financial statements. The accounting for changes in the fair value of a derivative instrument is determined by whether it has been designated and qualifies as part of a hedging relationship, and further, by the type of hedging relationship. At the inception of a hedge, the Corporation documents certain items, including, but not limited to, the following: the relationship between hedging instruments and hedged items, the Corporation's risk management objectives, hedging strategies, and the evaluation of hedge transaction effectiveness. Documentation includes linking all derivatives that are designated as hedges to specific assets or liabilities on the balance sheet or to specific forecasted transactions.

The Corporation's derivative instruments that are designated and qualify for hedge accounting are classified as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows associated with a recognized asset or liability, or a forecasted transaction). As such, changes in the fair value of the designated hedging instrument that is included in the assessment of hedge effectiveness are recorded in other comprehensive income and reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. Such reclassifications shall be presented in the same income statement line item as the earnings effect of the hedged item. The ineffective portion, if any, is recognized in current earnings during the period.

The Corporation's derivative instruments not designated as hedging instruments are recorded at fair value and changes in fair value are recognized in other noninterest income. Derivative instruments not designated as hedging instruments include interest rate swaps and foreign exchange contracts offered to commercial customers to assist them in meeting their financing and investing objectives for their risk management purposes. The interest rate and foreign exchange risks associated with customer interest rate swaps and foreign exchange contracts are mitigated by entering into similar derivatives having offsetting terms with institutional counterparties.

1. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Topic also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Corporation in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Statements of Cash Flows

Supplemental disclosures of cash flow information for the years ended December 31 follows:

	2018	**2017**
	(In Thousands)	
Cash paid for:		
Interest	**$ 23,732**	$ 6,999
Income taxes	**$ 29,731**	$ 37,978
Non-cash investing activities:		
Transfer of loans to other real estate owned	**$ -**	$ 265

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

FASB ASC Topic 606 "Revenue from Contracts with Customers" Update No. 2014-09. Issued in May 2014, the purpose of this update is to address the previous revenue recognition requirements in GAAP that differ from those in International Financial Reporting Standards (IFRS). Accordingly, the FASB and the International Accounting Standards Board (IASB) initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The largely converged revenue recognition standards will supersede virtually all revenue recognition guidance in GAAP and IFRS. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Since the issuance of Update 2014-09, the FASB has finalized various amendments to the standard as summarized below:

FASB ASC Topic 606 "Revenue from Contracts with Customers" Update No. 2016-12.
FASB ASC Topic 606 "Revenue from Contracts with Customers" Update No. 2016-10.
FASB ASC Topic 606 "Revenue from Contracts with Customers" Update No. 2016-08.
FASB ASC Topic 606 "Revenue from Contracts with Customers" Update No. 2015-14.

Through Updates 2016-12, 2016-10 and 2016-08, the FASB amended its new revenue guidance on licenses or intellectual property, identification of performance obligations, collectability, noncash consideration and the presentation of sales and other similar taxes. The FASB also clarified the definition of a completed contract at transition and added a practical expedient to ease transition for contracts that were modified prior to adoption. The FASB also amended the new revenue recognition guidance on determining whether an entity is a principal or an agent in an arrangement which affects whether revenue should be reported gross or net.

1. Summary of Significant Accounting Policies (continued)

Following the issuance of Update 2015-14, Update 2014-09, as amended, is effective for the Corporation for annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. Earlier adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. A full or modified retrospective transition method is required. The Corporation's revenue is comprised of net interest income on financial assets and liabilities, which is explicitly excluded from the scope of the new guidance, and noninterest income. Certain components of noninterest income such as interest rate swap income, income from rabbi trust investments, trading securities gains, gains on sales of mortgage loans, and gains on sales of securities available for sale are accounted for under other U.S. GAAP standards, and are therefore out of scope of the ASC 606 revenue standard. Insurance commissions, service charges on deposit accounts, debit card processing fees, trust and investment advisory fees, and certain components of other noninterest income are within the scope of the ASC 606 revenue standard.

In completing its assessment of those revenue streams within the scope of the guidance, the Corporation did not identify any revenue sources for which the timing of recognition will change under the new standard. The adoption of this standard on January 1, 2019 did not have a material impact on the Corporation's consolidated financial statements, its current accounting policies and practices, or the timing or amount of revenue recognized; however, where appropriate, the Corporation evaluated necessary changes to business processes, systems, and internal controls in order to support the recognition, measurement, and disclosure requirements of the new standard.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Subtopic 825-10 "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities" Update No. 2016-01. Issued in January 2016, the purpose of this update is to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments in this update: 1) Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; 2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; 3) Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; 4) Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; 5) Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; 6) Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; 7) Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or accompanying notes to the financial statements; and 8) Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments are effective for public business entities for reporting periods beginning after December 15, 2017. For all other entities, the amendments are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted for all other entities, but not before the public business entity effective date. Entities that are not considered public business entities may early adopt the provision that eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost, and the Corporation early adopted this provision in 2016. The Corporation adopted the remaining provisions of the standard on January 1, 2019. The adoption of this standard did not have a material impact on the Corporation's consolidated financial position.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Topic 842 "Leases" Update No. 2016-02. Issued in February 2016, this update affects any entity that enters into a lease (as that term is defined in this update), with some specified scope exemptions. The core principle of this update is that a lessee should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease have not significantly changed from previous GAAP. In addition, the accounting applied by a lessor is largely unchanged from that applied under previous GAAP. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019. The Corporation is currently in the process of reviewing its current lease agreements to assess the impact of the adoption of this standard on the Corporation's consolidated financial position. Since the issuance of Update 2016-02, the FASB has finalized the following amendments:

FASB ASC Topic 842, "Leases" Update No. 2018-20.
FASB ASC Topic 842, "Leases" Update No. 2018-11.

Through Update 2018-20, the FASB provided certain narrow-scope improvements related to lessor accounting, allowing lessors to make an accounting policy election related to sales taxes and other similar taxes collected from lessees, requiring lessors to exclude from variable payments lessor costs paid by a lessee to a third party, and clarified the accounting by lessors for variable payments that relate to both a lease component and nonlease component.

1. Summary of Significant Accounting Policies (continued)

Through Update 2018-11, the FASB amended ASC 842 to allow for an alternative transition method to adopt the new leases standard at the adoption date, under which an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In addition, the amendments in this update provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606) and provided that certain criteria are met. For entities that have adopted Topic 842 before the issuance of Update 2018-20, the amendments within that update should be applied at the original effective date or applied in either the first reporting period ending after the issuance of Update 2018-20 or in the first reporting period beginning after the issuance of Update 2018-20. Similarly, for entities that have adopted Topic 842 before the issuance of Update 2018-11, the amendments related to the practical expedient may be elected either in the first reporting period following the issuance of Update 2018-11 or at the original effective date of Topic 842 and may be applied either retrospectively or prospectively. For all other entities, the amendments in these updates have the same effective dates as ASU 2016-02.

FASB ASC Topic 605 "Revenue Recognition" and Topic 815 "Derivatives and Hedging" Update No. 2016-11. Issued in May 2016, this update is a rescission of SEC guidance because of ASU Updates 2014-09 and 2014-16 pursuant to staff announcements at the March 3, 2016 Emerging Issues Task Force meeting. The amendments in this update are effective upon adoption of Topic 606 "Revenue from Contracts with Customers" (for periods beginning after December 15, 2018 for the Corporation). The adoption of this standard on January 1, 2019 did not have a material impact on the Corporation's consolidated financial position.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Topic 326 "Financial Instruments – Credit Losses" Update No. 2016-13. Issued in June 2016, this update was intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with earlier adoption permitted as of fiscal years beginning after December 15, 2018, including interim periods with those fiscal years. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2020; however, ASU 2018-19 amended the effective date for nonpublic business entities, as noted below. The Corporation is currently assessing the impact of the adoption of this standard on the Corporation's consolidated financial position. Since the issuance of Update 2016-13, the FASB finalized the following amendment:

FASB ASC Topic 326 "Financial Instruments – Credit Losses" Update No. 2018-19.

Through ASU 2018-19, the FASB deferred the effective date of the amendments in ASU 2016-13 for nonpublic business entities. The amendments in ASU 2016-13 are now effective for nonpublic business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. In addition, ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables from operating leases should be accounted for in accordance with Topic 842, Leases.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Topic 230 "Statement of Cash Flows" Update No.2016-15. Issued in August 2016, this update was intended to reduce diversity of practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update provide guidance on the following eight specific cash flow issues: 1) Debt prepayment or debt extinguishment costs; 2) Settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; 3) Contingent consideration payments made after a business combination; 4) Proceeds from the settlement of insurance claims; 5) Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; 6) Distributions received from equity method investees; 7) Beneficial interests in securitization transactions; and 8) Separately identifiable cash flows and application of the Predominance Principle. The amendments in this topic provide guidance for these eight issues, thereby reducing the current and potential future diversity in practice. For public business entities, the amendments in this update are effective for annual periods and interim periods within those annual periods beginning after December 31, 2017. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted, including interim reporting periods within that reporting period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The adoption of this standard on January 1, 2019 did not have a material impact on the Corporation's consolidated financial position.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Topic 805 "Business Combinations" Update No. 2017-01. Issued in January 2017, the purpose of this update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update provide a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the group of assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. If the screen is not met, the amendments in this update: 1) Require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and; 2) Remove the evaluation of whether a market participant could replace missing elements. The amendments provide a framework to assist entities in evaluating whether both an input and a substantive process are present. The framework includes two sets of criteria to consider that depend on whether a set has outputs. Although outputs are not required for a set to be a business, outputs generally are a key element of a business; therefore, the Board has developed more stringent criteria for sets without outputs. For public business entities, the amendments in this update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018. The adoption of this standard on January 1, 2019 did not have a material impact on the Corporation's consolidated financial position.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Subtopic 610-20 "Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets" Update No. 2017-05. Issued in February 2017, the purpose of this update is to clarify that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. The amendments define the term in substance nonfinancial asset, in part, as a financial asset promised to a counterparty in a contract if substantially all of the fair value of the assets (recognized and derecognized) that are promised to the counterparty in the contract is concentrated in nonfinancial assets. The amendments in this update also clarify that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. A contract that includes the transfer of ownership interests in one or more consolidated subsidiaries is within the scope of Subtopic 610-20 if substantially all of the fair value of the assets that are promised to the counterparty in a contract is concentrated in nonfinancial assets. For purposes of that evaluation, the amendments require an entity to evaluate the underlying assets in consolidated subsidiaries to determine whether those assets are within the scope of Subtopic 610-20. For public business entities, certain not-for-profit entities, and certain employee benefit plans, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. For all other entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. An entity is required to apply the amendments in this update at the same time that if applies the amendments in Update 2014-09. The adoption of this standard on January 1, 2019 did not have a material impact on the Corporation's consolidated financial position.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Topic 715 "Compensation – Retirement Benefits" Update No. 2017-07. Issued in March 2017, the purpose of this update is to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The amendments in this update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. For all other entities, the amendments in this update are effective for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The adoption of this standard on January 1, 2019 did not have a material impact on the Corporation's consolidated financial position.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Topic 815 "Derivatives and Hedging" Update No. 2017-12. Issued in August 2017, the purpose of this update is to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted in any interim periods after issuance of the update. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal period of adoption. The Corporation elected to early adopt this standard in 2018 and the adoption did not have a material impact on the Corporation's consolidated financial statements.

FASB ASC Topic 220, "Income Statement – Reporting Comprehensive Income" Update No. 2018-02. Issued in February 2018, the purpose of this update is to allow reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of the amendments in this update is permitted, including adoption in any interim period, (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this update should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Corporation elected to early adopt this standard in 2018 and, as a result, increased retained earnings by a net $7.2 million in the period of adoption.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Topic 820, "Fair Value Measurement" Update No. 2018-13. Issued in August 2018, the purpose of this update is to modify the disclosure requirements on fair value measurements. The following disclosure requirements were removed from Topic 820: 1) The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; 2) The policy and timing of transfers between levels; 3) The valuation processes for Level 3 fair value measurements; and 4) For nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The following disclosures were modified in Topic 820: 1) In lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; 2) For investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and 3) The amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The following disclosure requirements were added to Topic 820; however, the disclosures are not required for nonpublic entities: 1) The changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and 2) The range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Corporation elected to early adopt this standard in 2018 and the adoption did not have a material impact on the Corporation's consolidated financial statements.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Subtopic 715-20, "Compensation – Retirement Benefits – Defined Benefit Plans" Update No. 2018-14. Issued in August 2018, the purpose of this update is to modify the disclosure requirements for employers that sponsor defined benefit pension and other postretirement plans. The following disclosure requirements are removed from Subtopic 715-20: 1) The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year; 2) The amount and timing of plan assets expected to be returned to the employer; 3) The disclosures related to the June 2001 amendments to the Japanese Welfare Pension Insurance Law; 4) Related party disclosures about the amount of future annual benefits covered by insurance and annuity contracts and significant transactions between the employer or related parties and the plan; 5) For nonpublic entities, the reconciliation of the opening balances to the closing balances of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy. However, nonpublic entities will be required to disclose separately the amounts of transfers into and out of Level 3 of the fair value hierarchy and purchases of Level 3 plan assets; and 6) For public entities the effects of a one-percentage point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net periodic benefit costs and (b) benefit obligation for postretirement health care benefits. The following disclosure requirements are added to Subtopic 715-20: 1) The weighted-average interest credit rates for cash balance plans and other plans with promised crediting rates; and 2) An explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. For public business entities, the amendments in this update are effective for fiscal years ending after December 15, 2020. For all other entities, the amendments in this update are effective for fiscal years ending after December 15, 2021. Early adoption is permitted for all entities. The Corporation is currently assessing the impact of the adoption of this standard on the Corporation's consolidated financial position.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Subtopic 350-40, "Intangibles – Goodwill and Other – Internal-Use Software" Update 2018-15. Issued in August 2018, the purpose of this update is to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, the amendments in this update require an entity in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments in this update also require the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The entity also is required to apply the existing impairment guidance in Subtopic 350-40 to the capitalized implementation costs as if the costs were long-lived assets. Lastly, the amendments in this update also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting element of the arrangement and classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the statement of financial position in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted for all entities. The Corporation is currently assessing the impact of the adoption of this standard on the Corporation's consolidated financial position.

1. Summary of Significant Accounting Policies (continued)

FASB ASC Topic 815, "Derivatives and Hedging" Update 2018-16. Issued in October 2018, the purpose of this update is to add the Overnight Index Swap (OIS) Rate based on the Secured Overnight Financing Rate (SOFR) as a benchmark interest rate for hedge accounting purposes. For entities that have not already adopted Update 2017-12, the amendments in this update are required to be adopted concurrently with the amendments in Update 2017-12. For public business entities that have already adopted the amendments in Update 2017-12, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities that have already adopted the amendments in Update 2017-12, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted if an entity has already adopted Update 2017-12. The Corporation is currently assessing the impact of the adoption of this standard on the Corporation's consolidated financial position.

FASB ASC Topic 810, "Consolidation" Update 2018-17. Issued in October 2018, the purpose of this update is to allow a private company (reporting entity) to elect not to apply variable interest entity (VIE) guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public business entities. In addition, this update stipulates that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. For entities other than private companies, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For private companies, the amendments in this update are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Corporation is currently assessing the impact of the adoption of this standard on the Corporation's consolidated financial position.

2. Mergers and Acquisitions

In 2018, the Corporation acquired certain assets and assumed certain liabilities from the acquisition of certain insurance agencies for total consideration of $11.5 million in cash. These acquisitions were considered to be business combinations to be accounted for using the acquisition method since the Corporation obtained control through the acquisition of the operating assets. As a result of these business combinations, the Corporation increased its goodwill and insurance agency intangible assets by $7.7 million and $5.0 million, respectively. The intangible assets recorded as part of these acquisitions consisted of a $4.4 million customer list intangible asset and a $0.6 million non-compete intangible asset. For tax purposes, the transactions were considered asset acquisitions and as such, the amortization of goodwill and intangible assets is deductible for tax purposes. Included in the determination of goodwill was $1.2 million of contingent consideration based upon a percentage of revenues retained over a period of time after the acquisition dates. The amount of contingent consideration included in goodwill was based upon management's best estimate of possible outcomes. According to the purchase agreements, the contingent consideration payouts may range from $0 to $1.4 million. Acquisition-related legal and professional fee costs associated with these agency acquisitions of $0.2 million were charged to expense in 2018 and were included in the professional fee line item of the consolidated statement of income.

In 2017, the Corporation acquired certain assets and assumed certain liabilities from the acquisition of certain insurance agencies for total consideration of $15.9 million in cash. These acquisitions were considered to be business combinations to be accounted for using the acquisition method since the Corporation obtained control through the acquisition of the operating assets. As a result of these business combinations, the Corporation increased its goodwill and insurance agency intangible assets by $8.9 million and $4.6 million, respectively. The intangible assets recorded as part of these acquisitions consisted of a $4.1 million customer list intangible asset and a $0.5 million non-compete intangible asset. For tax purposes, the transactions were considered asset acquisitions and as such, the amortization of goodwill and intangible assets is deductible for tax purposes. There was no contingent consideration related to these transactions. Acquisition-related legal and professional fee costs associated with these agency acquisitions of $0.1 million were charged to expense in 2017 and were included in the professional fee line item of the consolidated statement of income.

In 2018 and 2017, $0.2 million and $0.1 million was charged to expense to adjust the acquisition-related contingent consideration liabilities.

3. Securities

Trading Securities:

Trading securities, at fair value, were as follows:

	Year Ended December 31 2018	2017
	(In Thousands)	
Debt securities:		
Municipal bonds and obligations	**$ 52,899**	$ 46,791
	$ 52,899	$ 46,791

For the years ended December 31, 2018 and 2017, the net unrealized losses on trading activities for trading securities still held at the reporting date were $39 thousand and $23 thousand, respectively.

Securities Available for Sale:

The amortized cost, gross unrealized gains and losses, and fair value of securities available for sale for the periods below were as follows:

	December 31, 2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In Thousands)			
Debt securities				
Government-sponsored residential mortgage-backed securities	**$ 1,153,495**	**$ 1,919**	**$ (19,277)**	**$ 1,136,137**
State and municipal bonds and obligations	**321,184**	**1,883**	**(9,351)**	**313,716**
Qualified zone academy bond	**6,045**	**-**	**-**	**6,045**
	$ 1,480,724	**$ 3,802**	**$ (28,628)**	**$ 1,455,898**

	December 31, 2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In Thousands)			
Debt securities				
Government-sponsored residential mortgage-backed securities	$ 1,160,411	$ 7,718	$ (685)	$ 1,167,444
State and municipal bonds and obligations	324,045	8,430	(1,095)	331,380
Qualified zone academy bond	5,936	-	-	5,936
Foreign corporate bond	50	-	-	50
	$ 1,490,442	$ 16,148	$ (1,780)	$ 1,504,810

3. Securities (continued)

A schedule of the contractual maturities of securities available for sale as of December 31, 2018, follows:

	Amortized Cost	Fair Value
	(In Thousands)	
Maturing after one year but within five years	**12,857**	**12,933**
Maturing after five years but within ten years	**318,553**	**316,789**
Maturing after ten years	**1,149,314**	**1,126,176**
	$ 1,480,724	**$ 1,455,898**

Mortgage-backed securities and callable securities are shown at their contractual maturity dates. However, both are expected to have shorter average lives due to expected prepayments and callable features, respectively. Included in the securities available for sale at December 31, 2018, were $296.3 million of callable securities at fair value.

3. Securities (continued)

Gross realized gains from sales of securities available for sale were $0.2 million and $16.0 million for the years ended December 31, 2018 and 2017 respectively. Gross realized losses from sales of securities available for sale were $0.1 million and $4.6 million for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, management expects to recover the amortized cost basis of available-for-sale securities with unrealized losses, has no intention to, and is not more likely than not to be required to sell the available-for-sale securities with unrealized losses.

Management prepares an estimate of the expected cash flows for investment securities available for sale that potentially may be deemed to have OTTI. This estimate begins with the contractual cash flows of the security. This amount is then reduced by an estimate of probable credit losses associated with the security. When estimating the extent of probable losses on the securities, management considers the credit quality and the ability to pay of the underlying issuers. Indicators of diminished credit quality of the issuers include defaults, interest deferrals, or "payments in kind." Management also considers those factors listed in the Investments – Debt and Equity Securities topic of the FASB ASC when estimating the ultimate realizability of the cash flows for each individual security.

The resulting estimate of cash flows after considering credit is then subject to a present value computation using a discount rate equal to the current yield used to accrete the beneficial interest or the effective interest rate implicit in the security at the date of acquisition. If the present value of the estimated cash flows is less than the current amortized cost basis, an OTTI is considered to have occurred and the security is written down to the fair value indicated by the cash flow analysis. As part of the analysis, management considers whether it intends to sell the security or whether it is more than likely that it would be required to sell the security before the expected recovery of its amortized cost basis.

3. Securities (continued

Information pertaining to securities available for sale with gross unrealized losses at December 31, 2018 and 2017, which the Corporation has not deemed to be OTTI, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	December 31, 2018				
		Less than 12 Months		12 Months or Longer	
	# of Holdings	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
			(In Thousands)		
Government-sponsored residential mortgage-backed securities	**17**	**$ -**	**$ -**	**$ 19,277**	**$ 925,797**
State and municipal bonds and obligations	**257**	**978**	**47,324**	**8,373**	**151,562**
	274	**$ 978**	**$ 47,324**	**$ 27,650**	**$ 1,077,359**

	December 31, 2017				
		Less than 12 Months		12 Months or Longer	
	# of Holdings	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
			(In Thousands)		
Government-sponsored residential mortgage-backed securities	5	$ 685	$ 191,989	$ -	$ -
State and municipal bonds and obligations	123	223	22,543	872	42,820
	128	$ 908	$ 214,532	$ 872	$ 42,820

3. Securities (continued)

The Corporation does not intend to sell these investments and has determined based upon available evidence that it is more likely than not that the Corporation will not be required to sell the security before the expected recovery of its amortized cost basis. As a result, the Corporation does not consider these investments to be OTTI. The Corporation made this determination by reviewing various qualitative and quantitative factors regarding each investment category, such as current market conditions, extent and nature of changes in fair value, issuer rating changes and trends, and volatility of earnings.

As a result of the Corporation's review of these qualitative and quantitative factors, the causes of the impairments listed in the table above by category are as follows at December 31, 2018:

- *Government-sponsored residential mortgage-backed securities:* The securities with unrealized losses in this portfolio have contractual terms that generally do not permit the issuer to settle the securities at a price less than the current par value of the investment. The decline in market value of these securities is attributable to changes in interest rates and not credit quality. Additionally, these securities are implicitly guaranteed by the U.S. Government or one of its agencies.
- *State and municipal bonds and obligations:* The securities with unrealized losses in this portfolio have contractual terms that generally do not permit the issuer to settle the securities at a price less than the current par value of the investment. The decline in market value of these securities is attributable to changes in interest rates and not credit quality. All of these bonds are investment grade and are rated either Aa3 or AA- or better by Moody's and Standard and Poor's, respectively.

In 2018 and 2017 the Corporation tendered illiquid common shares for one of its cost method investments in exchange for cash and stock in the acquiring entity totaling $0.6 million and $5.8 million, respectively. The Corporation recorded gains of $0.6 million and $5.8 million in 2018 and 2017, respectively, for the consideration received in excess of the cost basis of the tendered shares. In 2018, the newly acquired stock in the acquiring entity had a fair value of $0.3 million and was subsequently donated to the Eastern Bank Charitable Foundation, and the portion of the gain related to the stock donation was a non-taxable securities gain. In 2017, the newly acquired stock in the acquiring entity had a fair value of $3.1 million and was subsequently donated to the Eastern Bank Charitable Foundation, and the portion of the gain related to the stock donation was a non-taxable securities gain.

4. Loans and Allowance for Loan Losses

A comparative summary of loans at December 31 follows:

	2018	2017
	(In Thousands)	
Commercial and industrial	**$ 1,658,765**	$ 1,395,597
Commercial real estate	**3,520,717**	3,229,973
Business banking	**744,548**	762,723
Residential real estate	**1,430,764**	1,290,461
Consumer home equity	**949,410**	931,496
Automobile	**415,949**	493,454
Other consumer	**135,850**	123,337
	8,856,003	8,227,041
Allowance for credit losses	**(80,655)**	(74,111)
Unamortized premiums, net of unearned discounts and deferred fees	**(435)**	1,056
	$ 8,774,913	$ 8,153,986

The Corporation's lending activities are conducted principally in the New England area with the exception of the Shared National Credit Portfolio. Eastern participates in Shared National Credits in an effort to improve industry and geographical diversification. Shared National Credits are included in the commercial and industrial and commercial real estate portfolios and are defined as loan syndications with exposure over $100 million and with three or more lenders participating. The Corporation originates single-family and multi-family residential loans, commercial real estate loans, commercial loans, airplane loans for commercial and consumer use, and a variety of other consumer loans. Commercial and consumer airplane loans are included in commercial and industrial and other consumer loans, respectively, in the table above. In addition, the Corporation originates loans for the construction of residential homes, multi-family properties, commercial real estate properties, and for land development. Most loans originated by the Corporation are either collateralized by real estate or other assets, or guaranteed by federal and local governmental authorities. The ability and willingness of the single-family residential and consumer borrowers to honor their repayment commitments is generally dependent on the level of overall economic activity within the borrowers' geographic areas and real estate values. The ability and willingness of commercial real estate, commercial and industrial, and construction loan borrowers to honor their repayment commitments is generally dependent on the health of the real estate economic sector in the borrowers' geographic areas and the general economy. The ability and willingness of airplane loan borrowers to repay is generally dependent on the health of the general economy.

4. Loans and Allowance for Loan Losses (continued)

The following tables summarize changes in the allowance for loan losses by loan category and bifurcate the amount of allowance allocated to each loan category based on collective impairment analysis and loans evaluated individually for impairment.

(In Thousands)	As of December 31, 2018								
	Commercial and Industrial	Commercial Real Estate	Business Banking	Residential Real Estate	Consumer Home Equity	Automobile	Other Consumer	Unallocated	Total
Allowance for Loan Losses:									
Beginning balance	$ 14,892	$ 36,277	$ 6,615	$ 6,954	$ 4,040	$ 2,714	$ 2,037	$ 582	$ 74,111
Charge-offs	(3,646)	(49)	(6,345)	(27)	(285)	(695)	(1,414)	-	(12,461)
Recoveries	2,753	132	375	152	60	271	162	-	3,905
Provision	5,322	516	7,652	(20)	298	(2)	1,527	(193)	15,100
Ending balance	$ 19,321	$ 36,876	$ 8,297	$ 7,059	$ 4,113	$ 2,288	$ 2,312	$ 389	$ 80,655
Ending balance: individually evaluated for impairment	$ 1,361	$ 38	$ 154	$ 1,804	$ 337	$ -	$ -	$ -	$ 3,694
Ending balance: acquired with deteriorated credit quality	$ 239	$ 181	$ -	$ 393	$ -	$ -	$ -	$ -	$ 813
Ending balance: collectively evaluated for impairment	$ 17,721	$ 36,657	$ 8,143	$ 4,862	$ 3,776	$ 2,288	$ 2,312	$ 389	$ 76,148
Loans:									
Ending balance: individually evaluated for impairment	$ 13,954	$ 10,579	$ 7,704	$ 27,713	$ 4,948	$ -	$ -	$ -	$ 64,898
Ending balance: acquired with deteriorated credit quality	4,904	7,853	-	4,134	-	-	-	-	16,891
Ending balance: collectively evaluated for impairment	1,639,907	3,502,285	736,844	1,398,917	944,462	415,949	135,850	-	8,774,214
Ending balance: total loans by group	$ 1,658,765	$ 3,520,717	$ 744,548	$ 1,430,764	$ 949,410	$ 415,949	$ 135,850	$ -	$ 8,856,003

4. Loans and Allowance for Loan Losses (continued)

(In Thousands)	As of December 31, 2017								
	Commercial and Industrial	Commercial Real Estate	Business Banking	Residential Real Estate	Consumer Home Equity	Automobile	Other Consumer	Unallocated	Total
Allowance for Loan Losses:									
Beginning balance	$ 13,419	$ 33,567	$ 6,401	$ 7,557	$ 4,037	$ 2,950	$ 1,838	$ 419	$ 70,188
Charge-offs	(1,104)	-	(5,414)	(207)	(21)	(850)	(1,384)	-	(8,980)
Recoveries	5,593	168	614	164	37	371	156	-	7,103
Provision	(3,016)	2,542	5,014	(560)	(13)	243	1,427	163	5,800
Ending balance	$ 14,892	$ 36,277	$ 6,615	$ 6,954	$ 4,040	$ 2,714	$ 2,037	$ 582	$ 74,111
Ending balance: individually evaluated for impairment	$ -	$ -	$ 42	$ 2,022	$ 342	$ -	$ -	$ -	$ 2,406
Ending balance: acquired with deteriorated credit quality	$ -	$ 404	$ -	$ 356	$ -	$ -	$ -	$ -	$ 760
Ending balance: collectively evaluated for impairment	$ 14,892	$ 35,873	$ 6,573	$ 4,576	$ 3,698	$ 2,714	$ 2,037	$ 582	$ 70,945
Loans:									
Ending balance: individually evaluated for impairment	$ 11,825	$ 9,985	$ 6,974	$ 29,021	$ 4,639	$ -	$ -	$ -	$ 62,444
Ending balance: acquired with deteriorated credit quality	5,023	11,029	-	4,856	-	-	-	-	20,908
Ending balance: collectively evaluated for impairment	1,378,749	3,208,959	755,749	1,256,584	926,857	493,454	123,337	-	8,143,689
Ending balance: total loans by group	$ 1,395,597	$ 3,229,973	$ 762,723	$ 1,290,461	$ 931,496	$ 493,454	$ 123,337	$ -	$ 8,227,041

4. Loans and Allowance for Loan Losses (continued)

For the purpose of estimating the allowance for loan losses, management segregates the loan portfolio into the categories noted in the above tables. Each of these loan categories possess unique risk characteristics like loan purpose, repayment source, and collateral that are considered when determining the appropriate level of the allowance for each category. Examples of these characteristics include:

Commercial and Industrial
Loans in this category consist of revolving and term loan obligations extended to businesses and corporate enterprises for the purpose of financing working capital, equipment purchases and acquisitions. Collateral frequently consists of a first lien position on business assets including, but not limited to: accounts receivable, inventory, airplanes and equipment. The primary repayment source is operating cash flow and, secondarily, the liquidation of assets. The Corporation often obtains personal guarantees from individuals holding material ownership in the borrowing entity.

Commercial Real Estate
Loans in this category consist of mortgage loans on investment real estate. In addition to term loans on cash flowing, stabilized properties, loans are also granted to construct new structures. Property types financed include office, industrial, multi-family, retail, hotel and other single-purpose use properties. Collateral values are established by independent third-party appraisals and evaluations. Primary repayment sources include: operating income generated by the real estate, permanent debt refinancing, sale of the real estate and, secondarily, by liquidation of the collateral. The Corporation often obtains personal guarantees from individuals holding material ownership in the borrowing entity.

Business Banking
The business banking portfolio segment consists of loans granted to commercial borrowers with more modest financing requirements than those found in the commercial real estate and commercial and industrial portfolio segments. Business banking loans are typically secured by all business assets or commercial real estate. The Corporation's policy limits borrower exposure limits at amounts materially lower than in the other commercial borrowing segments. In general, the business banking portfolio includes commercial and industrial loan exposures of $1 million or less and commercial real estate loan exposures of $3 million or less.

4. Loans and Allowance for Loan Losses (continued)

Residential Real Estate

Residential real estate loans originated for the Corporation's portfolio are made to borrowers who demonstrate the ability to repay principal and interest on a monthly basis. Underwriting considerations include, among others: income sources and their reliability, willingness to repay as evidenced by credit repayment history, financial resources including cash reserves and the value of the collateral. The Corporation maintains policy standards for minimum credit score and cash reserves and maximum loan to value consistent with a "prime" portfolio. Collateral consists of mortgage liens on 1-4 family residential dwellings. The Corporation does not originate or purchase sub-prime or other high-risk loans.

Consumer Home Equity

The Corporation originates home equity lines of credit and home equity loans. Home equity lines of credit are granted for ten years with monthly interest-only repayment requirements. Full principal repayment is required at the end of the ten-year draw period. Home equity loans are term loans that require the monthly payment of principal and interest such that the loan will have fully amortized at maturity. Underwriting considerations are materially consistent with those utilized in residential real estate. Collateral consists of a senior or subordinate lien on owner-occupied residential property.

Automobile

The Corporation originates loans secured by new and used automobiles. In 2018, the Corporation exited the indirect automobile loan business and no longer originates loans through dealerships. The Corporation still originates automobile loans through its branch network. The Corporation's policy and underwriting in this portfolio segment include the following, among others: income sources and reliability, credit histories, term of repayment and collateral value.

Other Consumer

Other consumer loans consist of personal lines of credit, overdraft protection, airplane loans and student loans. This portfolio segment is typically granted on an unsecured basis with the exception of airplane loans.

4. Loans and Allowance for Loan Losses (continued)

Credit Quality

For the commercial real estate, commercial and industrial and business banking portfolio, the Corporation utilizes a risk rating system from 0 to 10 to manage risk and identify potential problem loans. Risk rating assignment is based upon a number of quantitative and qualitative factors that are under continual review. Factors include cash flow, collateral coverage, liquidity, leverage, position within the industry, internal controls and management, financial reporting, and other considerations. The risk rating categories are defined as follows:

<u>Unrated</u>
Certain segments of the portfolios are not rated. These segments include airplane loans, business banking scored loan products, and other commercial loans managed by exception. Loans within this unrated loan segment are monitored by delinquency status and for lines of credit greater than $100,000 in exposure, an annual review is conducted. The Corporation supplements performance data with current credit scores for the business banking portfolio on a quarterly basis. Unrated loans managed outside of airplane loans and business banking loans are generally restricted to commercial exposure less than $1,000,000 with a line of credit component restricted to $350,000. Loans included in this category have qualification requirements that include: risk rating of 6 or better at time of recommendation for unrated status, acceptable management of deposit accounts and no known negative changes in management, operations or financial performance. Restricted from this category are lines of credit managed with borrowing base requirements and construction loans.

For purposes of estimating the allowance for loan losses, unrated loans are considered in the same manner as pass rated loans.

<u>1-6 Risk Rating – Pass</u>
Loans risk rated 1-6 comprise those loans that range from “substantially risk free”, which indicates borrowers of unquestioned credit standing, well-established national companies with a very strong financial condition, and loans fully secured by cash, through acceptable rated loans that may be experiencing weak cash flow, impending lease rollover or minor liquidity concerns.

4. Loans and Allowance for Loan Losses (continued)

<u>7 Risk Rating – Special Mention (Potential Weakness)</u>
Loans to borrowers in this category exhibit potential weaknesses or downward trends deserving management's close attention. While potentially weak, no loss of principal or interest is envisioned. Included in special mention are borrowers who are performing as agreed, are weak when compared to industry standards, may be experiencing an interim loss and may be in declining industries. An element of asset quality, financial flexibility or management is below average. Management and owners may have limited depth, particularly when operating under strained circumstances. The Corporation does not consider borrowers within this category as new business prospects. Borrowers rated special mention may find it difficult to obtain alternative financing from traditional bank sources.

<u>8 Risk Rating – Substandard (Well-Defined Weakness)</u>
Loans with an 8 risk rating exhibit well-defined weaknesses that, if not corrected, may jeopardize the orderly liquidation of the debt. A substandard loan is inadequately protected by the repayment capacity of the obligor or by the collateral pledged. Repayment under market rates and terms, or by the requirements under the existing loan documents, is in jeopardy, however, no loss of principal or interest is envisioned. There is a possibility that a partial loss of principal and/or interest will occur if the deficiencies are not corrected. Loss potential, while existing in the aggregate portfolio of substandard assets, does not have to exist in individual assets classified substandard. Credits in this category often may have reported a loss in the most recent fiscal year end and are likely to continue to report losses in the interim period, or interim losses are expected to result in a fiscal year end loss. Non-accrual is possible, but not mandatory, in this class.

<u>9 Risk Rating – Doubtful (Loss Probably)</u>
Loans classified as doubtful have the weaknesses found in the substandard borrowers with the added provision that the weaknesses make collection of the debt in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Serious problems exist such that partial loss of principal is likely. The probability of loss exceeds 50% but because of reasonably specific pending factors that may work to strengthen the credit, estimated losses are deferred until a more exact status can be determined. Pending factors may include the sale of the company, a merger, capital injection, new profitable purchase orders, and refinancing plans. Specific reserves will be the amount identified after specific review. Non-accrual is mandatory in this class.

4. Loans and Allowance for Loan Losses (continued)

10 Risk Rating – Loss
Loans to borrowers in this category are deemed incapable of repayment. Loans to such borrowers are considered uncollectable and of such little value that continuance as active assets of the Corporation is not warranted. This classification does not mean that the loans have no recovery or salvage value, but rather, it is not practical or desirable to defer writing off these assets even though partial recovery may be affected in the future. Loans in this category will have a recorded investment of $0 at the time of the downgrade.

The credit quality of the commercial loan portfolio is actively monitored and supported by a comprehensive credit approval process that vests approval of all large dollar transactions to a committee of seasoned business line and credit professionals. Risk ratings are periodically reviewed and the Corporation maintains an independent credit risk review function that reports directly to the Risk Management Committee of the Board of Directors. Credits that demonstrate significant deterioration in credit quality are transferred to a specialized group of seasoned workout officers for individual attention.

The following table details the internal risk grading categories for the Corporation's commercial and industrial, commercial real estate and business banking portfolios:

(Dollars in thousands)		As of December 31					
	Risk	Commercial and Industrial		Commercial Real Estate		Business Banking	
Category	**Rating**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Unrated	0	**$ 185,265**	$ 155,371	**$ 50,785**	$ 41,717	**$ 441,757**	$ 461,718
Pass	1-6	**1,415,249**	1,189,588	**3,391,360**	3,093,622	**290,252**	289,982
Special mention	7	**30,880**	26,172	**56,092**	57,859	**6,632**	3,383
Substandard	8	**21,042**	22,462	**21,925**	35,622	**5,907**	7,640
Doubtful	9	**6,329**	2,004	**555**	1,153	**-**	-
Loss	10	**-**	-	**-**	-	**-**	-
Total		**$ 1,658,765**	$ 1,395,597	**$ 3,520,717**	$ 3,229,973	**$ 744,548**	$ 762,723

4. Loans and Allowance for Loan Losses (continued)

For the Corporation's residential real estate and home equity loan portfolios, the quality of the loan is best indicated by the repayment performance of an individual borrower. Updated appraisals, broker opinions of value and other collateral valuation methods are employed in the residential and home equity portfolios, typically for credits that are deteriorating. Delinquency status is determined using payment performance, while accrual status may be determined using a combination of payment performance, expected borrower viability and collateral value.

Nonaccrual residential loans that have been restructured must perform for a period of six months before being considered for accrual status. Delinquent consumer loans are handled by a team of seasoned collection specialists.

As a general rule, loans more than 90 days past due with respect to principal and interest are classified as a nonaccrual loan unless the loan is accounted for as a PCI loan. As permitted by banking regulations, certain consumer loans past due 90 days or more may continue to accrue interest. The Corporation may also use discretion regarding other loans over 90 days delinquent if the loan is well secured and in the process of collection.

4. Loans and Allowance for Loan Losses (continued)

The following table shows the age analysis of past due loans as of the dates indicated:

(Dollars in thousands)	December 31, 2018						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More	Total Past Due	Current	Total Loans	Recorded Investment >90 Days and Accruing
Commercial and industrial	$ 296	$ 526	$ 2,326	$ 3,148	$ 1,655,617	$ 1,658,765	$ -
Commercial real estate	2,547	-	2,069	4,616	3,516,101	3,520,717	410
Business banking	3,328	885	5,114	9,327	735,221	744,548	-
Residential real estate	16,003	3,493	3,109	22,605	1,408,159	1,430,764	-
Consumer home equity	3,449	811	2,392	6,652	942,758	949,410	9
Automobile	3,021	373	331	3,725	412,224	415,949	-
Other consumer	414	87	106	607	135,243	135,850	-
Total	$ 29,058	$ 6,175	$ 15,447	$ 50,680	$ 8,805,323	$ 8,856,003	$ 419

(Dollars in thousands)	December 31, 2017						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More	Total Past Due	Current	Total Loans	Recorded Investment >90 Days and Accruing
Commercial and industrial	$ 1,502	$ 81	$ 141	$ 1,724	$ 1,393,873	$ 1,395,597	$ -
Commercial real estate	2,146	-	471	2,617	3,227,356	3,229,973	471
Business banking	2,797	1,938	3,921	8,656	754,067	762,723	-
Residential real estate	17,169	4,470	3,888	25,527	1,264,934	1,290,461	-
Consumer home equity	1,049	806	729	2,584	928,912	931,496	9
Automobile	3,241	335	213	3,789	489,665	493,454	-
Other consumer	177	54	127	358	122,979	123,337	-
Total	$ 28,081	$ 7,684	$ 9,490	$ 45,255	$ 8,181,786	$ 8,227,041	$ 480

4. Loans and Allowance for Loan Losses (continued)

The following is a summary of information pertaining to non-accrual loans:

	December 31, 2018	December 31, 2017
	(In Thousands)	
Commercial and industrial	**$ 6,551**	$ 2,020
Commercial real estate	**3,344**	1,820
Business banking	**7,704**	6,433
Residential real estate	**5,535**	6,681
Consumer home equity	**2,461**	717
Automobile	**380**	297
Other consumer	**197**	198
Total nonaccrual loans	**$ 26,172**	$ 18,166

The following is a summary of information pertaining to impaired loans as of the dates indicated:

(Dollars in thousands)	December 31, 2018					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Total Income Recognized	Interest Income Recognized Using Cash Basis
With no related allowance recorded:						
Commercial and industrial	$ 10,466	$ 11,035	$ -	$ 10,797	$ 429	$ -
Commercial real estate	10,364	10,554	-	8,993	328	-
Business banking	1,231	2,470	-	1,298	-	-
Residential real estate	11,779	12,767	-	11,880	439	31
Consumer home equity	2,102	2,115	-	1,944	81	-
Sub-total	35,942	38,941	-	34,912	1,277	31
With an allowance recorded:						
Commercial and industrial	3,488	5,110	1,361	5,647	-	-
Commercial real estate	215	215	38	919	-	-
Business banking	6,473	10,403	154	7,015	-	-
Residential real estate	15,934	17,272	1,804	16,072	594	42
Consumer home equity	2,846	2,862	337	2,629	110	1
Sub-total	28,956	35,862	3,694	32,282	704	43
Total	$ 64,898	$ 74,803	$ 3,694	$ 67,194	$ 1,981	$ 74

4. Loans and Allowance for Loan Losses (continued)

(Dollars in thousands)	December 31, 2017					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Total Income Recognized	Interest Income Recognized Using Cash Basis
With no related allowance recorded:						
Commercial and industrial	$ 11,825	$ 13,812	$ -	$ 5,926	$ 491	$ -
Commercial real estate	9,985	10,400	-	6,453	265	-
Business banking	1,757	2,720	-	1,356	28	-
Residential real estate	11,669	12,599	-	13,009	421	34
Consumer home equity	1,865	1,876	-	1,787	66	1
Sub-total	37,101	41,407	-	28,531	1,271	35
With an allowance recorded:						
Commercial and industrial	-	-	-	8,963	-	-
Commercial real estate	-	-	-	2,255	-	-
Business banking	5,217	6,983	42	4,988	-	-
Residential real estate	17,352	18,736	2,022	19,344	627	50
Consumer home equity	2,774	2,790	342	2,658	99	1
Sub-total	25,343	28,509	2,406	38,208	726	51
Total	$ 62,444	$ 69,916	$ 2,406	$ 66,739	$ 1,997	$ 86

In the course of resolving nonperforming loans, the Corporation may choose to restructure the contractual terms of certain loans. The Corporation attempts to work-out an alternative payment schedule with the borrower in order to avoid foreclosure actions. Any loans that are modified are reviewed by the Corporation to identify whether a TDR has occurred. TDRs involve situations in which, for economic or legal reasons related to the borrower’s financial difficulties, the Corporation grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay consistent with their current financial condition and the restructuring of the loans may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms, or a combination of the two.

The Corporation’s policy is to have any restructured loans which are on nonaccrual status prior to being modified remain on nonaccrual status for approximately six months subsequent to being modified before management considers its return to accrual status. If the restructured loan is on accrual status prior to being modified, it is reviewed to determine if the modified loan should remain on accrual status.

4. Loans and Allowance for Loan Losses (continued)

The following table shows the TDR loans on accrual and nonaccrual status as of the dates indicated:

(Dollars in thousands)	December 31, 2018					
	TDRs on Accrual Status		TDRs on Nonaccrual Status		Total TDRs	
	Number of Loans	Balance of Loans	Number of Loans	Balance of Loans	Number of Loans	Balance of Loans
Commercial and industrial	**3**	**$ 5,580**	**7**	**$ 4,184**	**10**	**$ 9,764**
Commercial real estate	**2**	**7,236**	**2**	**239**	**4**	**7,475**
Business banking	**-**	**-**	**1**	**288**	**1**	**288**
Residential real estate	**133**	**24,033**	**25**	**3,104**	**158**	**27,137**
Consumer home equity	**62**	**4,616**	**7**	**332**	**69**	**4,948**
Total	**200**	**$ 41,465**	**42**	**$ 8,147**	**242**	**$ 49,612**

(Dollars in thousands)	December 31, 2017					
	TDRs on Accrual Status		TDRs on Nonaccrual Status		Total TDRs	
	Number of Loans	Balance of Loans	Number of Loans	Balance of Loans	Number of Loans	Balance of Loans
Commercial and industrial	5	$ 7,895	3	$ 1,398	8	$ 9,293
Commercial real estate	3	8,165	5	1,176	8	9,341
Business banking	2	541	1	371	3	912
Residential real estate	136	25,296	26	3,019	162	28,315
Consumer home equity	63	4,551	3	89	66	4,640
Total	209	$ 46,448	38	$ 6,053	247	$ 52,501

The amount of specific reserve associated with the TDRs was $2.9 million and $2.1 million at December 31, 2018 and 2017, respectively. In 2018, $0.5 million in TDRs moved from nonaccrual to accrual. The Corporation had no additional commitments to lend to borrowers who have been a party to a TDR at either year end.

4. Loans and Allowance for Loan Losses (continued)

The following table shows the modifications which occurred during the periods and the change in the recorded investment subsequent to the modifications occurring:

(Dollars in thousands)	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment (1)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment (1)
Troubled debt restructurings:						
Commercial and industrial	**7**	**$ 5,926**	**$ 6,786**	1	$ -	$ 50
Commercial real estate	**-**	**-**	**-**	2	6,040	5,040
Residential real estate	**14**	**2,235**	**2,278**	19	3,596	3,626
Consumer home equity	**10**	**1,122**	**1,128**	9	874	1,040
Total	**31**	**$ 9,283**	**$ 10,192**	31	$ 10,510	$ 9,756

(1) The post-modification balances represent the balance of the loan on the date of modification. These amounts may show an increase when modification includes capitalization of interest.

At December 31, 2018, the outstanding recorded investment of loans that were new to TDR during the year was $8.4 million.

4. Loans and Allowance for Loan Losses (continued)

The following table shows the Corporation's post-modification balance of TDRs listed by type of modification during the years indicated:

	Year Ended December 31, 2018	Year Ended December 31, 2017
	(In Thousands)	
Adjusted interest rate and extended maturity	**$ 1,338**	$ 1,238
Adjusted interest rate and principal deferred	**715**	-
Adjusted interest rate	**676**	993
Extended maturity	**-**	443
Interest only/principal deferred	**5,926**	5,496
Extended maturity and interest only/principal deferred	**677**	300
Other	**860**	1,286
Total	**$ 10,192**	$ 9,756

The following table shows the loans have that been modified during the prior 12 months which have subsequently defaulted during the years indicated. The Bank considers a loan to have defaulted when it reaches 90 days past due:

(Dollars in thousands)	Year Ended December 31, 2018		2017	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Troubled debt restructurings that subsequently defaulted (1):				
Consumer home equity	**1**	**$ 116**	-	$ -
Residential real estate	**1**	**144**	-	-
Total	**2**	**$ 260**	-	$ -

In 2018, the amount of TDRs that were modified in the prior 12 months and subsequently charged off was $1.5 million. In 2017, there were no TDRs charged off that had been modified within the prior 12 months.

4. Loans and Allowance for Loan Losses (continued)

Certain loans acquired by the Corporation may have shown evidence of deterioration of credit quality since origination and it was therefore deemed unlikely that the Corporation would be able to collect all contractually required payments. As such, these loans were deemed to be PCI loans and the carrying value and prospective income recognition are predicated upon future cash flows expected to be collected. The Corporation considered factors such as payment history, collateral values, and accrual status when determining whether there was evidence of deterioration in credit quality at the acquisition date.

The following table displays certain information pertaining to PCI loans at the dates indicated:

	December 31, 2018	December 31, 2017
	(In Thousands)	
Outstanding balance	**$ 20,841**	$ 25,870
Carrying amount	**16,891**	20,908

The following summarizes activity in the accretable yield for the PCI loan portfolio:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**$ 7,618**	$ 9,558
Accretion	**(2,559)**	(2,303)
Other change in expected cash flows	**(680)**	(352)
Reclassification from nonaccretable difference for loans with improved cash flows	**1,782**	715
Balance at end of year	**$ 6,161**	$ 7,618

4. Loans and Allowance for Loan Losses (continued)

The following summarizes the impairment recorded through the allowance for loan losses for PCI loans subsequent to acquisition:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**$ 761**	$ 1,418
Provision for loan losses	**497**	134
Reduction of the allowance (1)	**(445)**	(791)
Balance at end of year	**$ 813**	$ 761

(1) Reduction to a previously established allowance because it is probable that there is a significant increase in cash flows previously expected to be collected or actual cash flows are significantly greater than cash flows previously expected.

Loans pledged to secure advances from the Federal Home Loan Bank were $0.9 billion at both December 31, 2018 and 2017.

At December 31, 3018, and 2017 mortgage loans partially or wholly-owned by others and serviced by the Corporation amounted to approximately $16.8 million and $20.1 million, respectively.

5. Premises and Equipment

A comparative summary of premises and equipment at December 31 follows:

	2018	2017
	(In Thousands)	
Land	**$ 7,960**	$ 7,960
Buildings	**56,295**	55,328
Equipment	**62,775**	62,297
Leasehold improvements	**35,808**	35,134
Premises and equipment, gross	**162,838**	160,719
Less accumulated depreciation and amortization	**(96,363)**	(86,994)
Premises and equipment, net	**$ 66,475**	$ 73,725

The Corporation occupies certain branch offices under operating lease arrangements. The net expense under such arrangements for the years ended December 31, 2018 and 2017 amounted to approximately $14.3 million and $14.0 million, respectively.

As of December 31, 2018, the Corporation and its subsidiaries were obligated under non-cancelable real estate leases for minimum rentals in future periods as follows:

	(In Thousands)
Years Ending December 31:	
2019	$ 12,918
2020	11,481
2021	9,735
2022	8,215
2023	6,959
Thereafter	11,808
	$ 61,116

6. Goodwill and Other Intangibles

The changes in the carrying amount of goodwill for the years ended December 31 follows:

	2018			2017		
	Gross Carrying Amount	Accumulated Impairment Losses	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairment Losses	Net Carrying Amount
			(In Thousands)			
Balance at beginning of year	**$ 361,937**	**$ -**	**$ 361,937**	$ 353,007	$ -	$ 353,007
Goodwill acquired during the year	**7,666**		**7,666**	8,930		8,930
Goodwill disposed of during the year (1)	**(572)**		**(572)**	-		-
Balance at end of year	**$ 369,031**	**$ -**	**$ 369,031**	$ 361,937	$ -	$ 361,937

(1) The Corporation sold a portion of its insurance agency reporting unit in 2018 and reduced goodwill by $0.6 million.

A summary of other intangible assets for the years ended December 31 follows:

	2018			2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(In Thousands)			
Insurance agency	**$ 35,465**	**$ (24,872)**	**$ 10,593**	$ 30,435	$ (21,929)	$ 8,506
Core deposits	**6,579**	**(4,927)**	**1,652**	6,579	(3,980)	2,599
Total	**$ 42,044**	**$ (29,799)**	**$ 12,245**	$ 37,014	$ (25,909)	$ 11,105

6. Goodwill and Other Intangibles (continued)

The Corporation has estimated the useful life of its insurance agency-related intangible assets, comprising primarily of customer lists and non-compete agreements, and its core deposit identifiable intangible assets to be a weighted-average of ten years and eight years, respectively, and these useful lives are reassessed annually.

The estimated amortization expense for each of the five succeeding years follows:

	(In Thousands)
Years Ending December 31:	
2019	$ 3,541
2020	2,799
2021	1,900
2022	1,406
2023	1,000

7. Deposits

Deposit balances reflect the impact of overnight programs which decrease reported demand and interest checking balances and increase reported money market investment balances. These programs have been established to manage reserve requirements at the Federal Reserve Bank of Boston. At December 31, 2018 and 2017, the Corporation swept $4.5 billion and $4.6 billion, respectively, from demand deposit and interest checking balances into money market investments.

The following table summarizes time deposits by maturity at December 31, 2018:

	(In Thousands)
2019	$ 429,286
2020	25,190
2021	8,207
2022	6,716
2023	5,343
Thereafter	206
	$ 474,948

Deposits from related parties held by the Corporation at December 31, 2018 amounted to $6.2 million.

At December 31, 2018 and 2017, securities with a carrying value of $29.0 million and $25.6 million respectively, were pledged to secure public deposits and for other purposes required by law.

8. Borrowed Funds

A comparative summary of borrowed funds at December 31 follows:

	2018	2017
	(In Thousands)	
Federal funds purchased	**$ 168,776**	$ 174,268
Federal Home Loan Bank advances	**137,286**	334,015
Escrow deposits of borrowers	**14,875**	13,432
Interest rate swap collateral funds	**13,350**	4,790
	$ 334,287	$ 526,505

At December 31, 2018, the Bank had available and unused borrowing capacity of approximately $861.6 million at the Federal Reserve Discount Window.

A summary of FHLB of Boston advances by maturities at December 31 follows:

	2018		2017	
	Amount	**Weighted-Average Rate**	**Amount**	**Weighted-Average Rate**
		(In Thousands)		
Within one year	**$ 130,082**	**2.67%**	$ 325,627	1.54%
Over one year to three years	**-**	**-**	657	2.76%
Over three years to five years	**366**	**1.01%**	368	0.17%
Over five years	**6,838**	**1.86%**	7,363	1.90%
	$ 137,286	**2.63%**	$ 334,015	1.55%

Advances from the FHLB of Boston are secured by stock in FHLB of Boston, residential real estate loans, and government-sponsored residential mortgage-backed securities. The collateral value of residential real estate loans securing these advances was $0.9 billion at December 31, 2018 and the collateral value of government-sponsored residential mortgage-backed securities securing these advances was $0.9 billion. At December 31, 2018, the Bank had available and unused borrowing capacity of approximately $1.6 billion with the FHLB of Boston.

8. Borrowed Funds (continued)

As a member of the FHLB of Boston, the Corporation is required to hold FHLB of Boston stock. At December 31, 2018 and 2017, the Corporation had investments in the FHLB of Boston of $18.0 million and $24.3 million, respectively. At its discretion the FHLB of Boston may declare dividends on the stock. Included in other noninterest income are dividends received of $1.2 million and $0.5 million for the years ended December 31, 2018 and 2017, respectively.

9. Income Taxes

Income tax expense (benefit) for the years ended December 31 follows:

	2018	2017
	(In Thousands)	
Current tax expense:		
Federal	**$ 26,793**	$ 8,334
State	**12,969**	299
Total current tax expense	**39,762**	8,633
Deferred tax expense (benefit):		
Federal	**(1,360)**	34,283
State	**(3,518)**	9,228
Effect of change in federal tax rate	**-**	7,181
Change in valuation allowance	**-**	(4,994)
Total deferred tax expense (benefit)	**(4,878)**	45,698
Total income tax expense	**$ 34,884**	$ 54,331

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The Act reduces the U.S. federal tax rate from 35% to 21% for years beginning on or after January 1, 2018. The Corporation recorded a provisional amount to deferred tax expense of $7.2 million which was primarily due to a remeasurement of deferred tax assets and liabilities at the newly enacted rate of 21%. Management remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. In 2018, the Corporation recorded additional tax expense of $0.2 million based upon the true-up of deferred tax assets per the 2017 tax return as filed and completed our accounting for all of the enactment-date income tax effects of the Act.

9. Income Taxes (continued)

The difference between the total expected income tax expense computed by applying the federal income tax rate of 21% and 35% to income before income tax expense for the years ended December 31, 2018 and 2017, respectively, follows:

	2018	2017
	(In Thousands)	
Income tax expense at statutory rate	**$ 33,098**	$ 49,360
Increase (decrease) resulting from:		
Effect of change in federal tax rate	**-**	7,181
State income tax, net of federal tax benefit	**7,466**	6,206
Amortization of qualified low-income housing investments	**2,750**	2,576
Expiration of charitable contribution carryforward	**-**	1,302
Tax-exempt income	**(4,269)**	(6,747)
Tax credits	**(3,154)**	(2,994)
Nontaxable gain on donated stock	**(64)**	(1,066)
Cash surrender value of officers' life insurance	**(680)**	(853)
Dividends received deduction	**(51)**	(153)
Change in valuation allowance	**-**	(165)
Other, net	**(212)**	(316)
Actual income tax expense	**$ 34,884**	$ 54,331

9. Income Taxes (continued)

Significant components of the Corporation's deferred tax assets and deferred tax liabilities at December 31 are presented in the table below:

	2018	2017
	(In Thousands)	
Deferred tax assets:		
Allowance for credit losses	**$ 25,001**	$ 22,864
Pension and deferred compensation plans	**15,809**	14,566
Unrealized appreciation on securities available for sale	**5,466**	-
Alternative minimum tax credit carryforward	**-**	4,988
Accrued expenses	**5,412**	1,223
Depreciation	**2,805**	2,824
Loan basis difference fair value adjustments	**2,483**	3,113
Charitable contribution limitation carryover	**778**	2,060
Other	**1,097**	1,322
Total deferred tax assets	**58,851**	52,960
Less: valuation allowance	**-**	-
Deferred tax assets, net of valuation allowance	**58,851**	52,960
Deferred tax liabilities:		
Amortization of intangibles	**13,373**	12,926
Unrealized appreciation on securities available for sale	**-**	3,203
Partnerships	**3,297**	3,484
Cash flow hedges	**1,168**	-
Trading securities	**891**	2,762
Other	**2,446**	2,380
Total deferred tax liabilities	**21,175**	24,755
Net deferred income tax assets	**$ 37,676**	$ 28,205

9. Income Taxes (continued)

The change in valuation allowance applicable to certain deferred tax assets is as follows:

	2017
	(In Thousands)
Valuation allowance at the beginning of the year	$ **4,994**
Change in tax attribute benefits	**(165)**
Valuation allowance applied to NOL deferred tax asset	**(4,829)**
Valuation allowance at the end of the year	$ **-**

In connection with a bank acquisition in 2012, the Corporation acquired a $2.2 million net operating loss (NOL) carryforward. These net operating losses begin to expire in 2029. As the bank acquisition resulted in a change in ownership of greater than 50%, Internal Revenue Code (IRC) §382 limitations on utilization of acquired tax attributes were applicable. IRC §382 limits the annual NOL utilization to an amount that is calculated based on the fair market value of the acquired corporation and the federal long-term tax-exempt rate. Management determined that it was more likely than not that the deferred tax asset recorded for this NOL would not be realized and, as such, recorded a valuation allowance against the deferred tax asset. The Corporation maintained a valuation allowance of $2.2 million at December 31, 2016. Management mathematically determined that these NOLs would expire unutilized without any possibility of realization. As such, the entire NOL deferred tax asset and its associated valuation allowance were reduced to $0 at December 31, 2017.

Additionally, the bank acquisition carried with it net unrealized built in losses that were also subject to tax deduction limitations under IRC §382. Under IRC §382(h), during the five years following the change in ownership, built in losses recognized are converted to NOLs and subject to the same IRC §382 limitations described above. Management determined that it was more likely than not that these net unrealized built in losses would not be utilized, and, as such a valuation allowance was recorded against the deferred tax asset. This valuation allowance totaled $2.8 million at December 31, 2016. In 2017 the Corporation realized certain of these net unrealized built in (gains)/losses totaling $5 thousand. These realized built in losses have a carryforward period of 20 years from their realization, but are subject to the IRC §382 limitations on NOLs described above. As the five-year period in which built in losses are converted to NOLs expired in November 2017, and, as described above, since management did not expect to ever be able to benefit from these NOLs, the entire deferred tax asset and valuation allowance associated with built in losses converted to NOLs as well as the valuation allowance related to the remaining net unrealized built in losses were reduced to $0 as of December 31, 2017.

9. Income Taxes (continued)

The Corporation files tax returns in the U.S. federal jurisdiction and various states. At December 31, 2018, the Corporation's open tax years for examination by the IRS were 2015, 2016 and 2017. The Corporation's open tax years for examination by state tax authorities varies by state, but no years prior to 2012 are open.

Management has performed an evaluation of the Corporation's uncertain tax positions and determined that a liability for unrecognized tax benefits at December 31, 2018 and 2017 was not needed.

In 2018 and 2017, the Corporation recognized approximately $1 thousand and $3 thousand, respectively, in interest expense and penalties that were included in income tax expense.

As a result of the Tax Reform Act of 1986, the special tax bad debt provisions were amended to eliminate the reserve method. However, the base year reserve of approximately $20.8 million remains subject to recapture in the event that the Bank pays dividends in excess of its earnings and profits or redeems its stock.

10. Low Income Housing Tax Credits and Other Tax Credit Investments

The Corporation has invested in several separate Low Income Housing Tax Credits (LIHTC) projects which provide the Corporation with tax credits and operating loss tax benefits over a period of approximately 15 years. Typically, none of the original investment is expected to be repaid. The return on these investments is generally generated through tax credits and tax losses. The Corporation accounts for its investments in LIHTC projects using the proportional amortization method, under which it amortizes the initial cost of the investment in proportion to the amount of the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The Corporation's maximum exposure to loss in its investments in qualified affordable housing projects is limited to its carrying value included in other assets. The effects of the Tax Cuts and Jobs Act on this proportional amortization method and carrying value of these LIHTC projects was considered and was deemed to be immaterial.

10. Low Income Housing Tax Credits and Other Tax Credit Investments (continued)

The following table presents the Corporation's investments in low income housing projects accounted for using the proportional amortization method as of the date indicated:

	2018	2017
	(In Thousands)	
Current recorded investment included in other assets	**$ 32,446**	$ 22,197
Commitments to fund qualified affordable housing projects included in recorded investment noted above	**14,391**	4,661
Tax credits and benefits (1)	**2,891**	3,110
Amortization of investments included in current tax expense (2)	**2,750**	2,576

(1) Amount reflects anticipated tax credits and tax benefits for the years ended December 31, 2018 and 2017
(2) Amount reflects amortization of qualified affordable housing projects for the years ended December 31, 2018 and 2017

The Corporation is the sole member of a tax credit investment company through which it consolidates a VIE. In 2015 the VIE made an equity investment to fund the construction of solar energy facilities in a manner to qualify for renewable energy investment tax credits. This equity investment is included in other assets on the consolidated balance sheet and totaled $4.4 million and $4.6 million at December 31, 2018 and 2017, respectively. The minority interest associated with this investment was immaterial at December 31, 2018 and 2017. The Corporation will treat the investment tax credits received as a reduction of federal income taxes for the year in which the credit arises using the flow-through method. The Corporation recorded $0.4 million and $0.3 million of new markets tax credits in 2018 and 2017, as a result of this investment, respectively.

The Corporation accounts for its investments in other tax credit investment projects using either the cost method or equity method. These investments are included in other assets on the consolidated balance sheets and totaled $0.4 million and $0.6 million at December 31, 2018 and 2017, respectively. There were no commitments outstanding for these projects at either year end.

11. Minimum Regulatory Capital Requirements

The Corporation is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation must meet specific capital guidelines that involve quantitative measures of the Corporation's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation's capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors.

The Corporation is subject to the requirements set forth in U.S. Basel III. Under this regulation, the Corporation is required to maintain minimum amounts and ratios (set forth in the table on the next page) of total, Tier I, and common equity Tier 1 capital to risk-weighted assets, and of Tier I capital to average assets (all as defined in the regulations). Management believes, as of December 31, 2018 and 2017, that the Corporation met all capital adequacy requirements to which it is subject.

As of December 31, 2018, the Bank was categorized as "well-capitalized" based on the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Corporation must maintain minimum total risk-based, Tier I risk-based, common equity Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There have been no conditions or events that management believes would cause a change in the Corporation's categorization.

11. Minimum Regulatory Capital Requirements (continued)

The Corporation's actual capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In Thousands)			
As of December 31, 2018:						
Total regulatory capital (to risk-weighted assets)	**$ 1,224,693**	**12.41 %**	**$ 789,488**	**≥8 %**	**$ 986,860**	**≥10 %**
Tier 1 capital (to risk-weighted assets)	**1,135,755**	**11.51**	**592,116**	**6**	**789,488**	**8**
Common Equity Tier I capital (to risk-weighted assets)	**1,135,755**	**11.51**	**444,087**	**4.5**	**641,459**	**6.5**
Tier I capital (to average assets)	**1,135,755**	**10.39**	**437,410**	**4**	**546,763**	**5**
As of December 31, 2017:						
Total regulatory capital (to risk-weighted assets)	$ 1,103,537	12.04 %	$ 733,143	≥8 %	$ 916,429	≥10 %
Tier 1 capital (to risk-weighted assets)	1,022,024	11.15	549,857	6	733,143	8
Common Equity Tier I capital (to risk-weighted assets)	1,022,024	11.15	412,393	4.5	595,679	6.5
Tier I capital (to average assets)	1,022,024	9.85	415,202	4	519,003	5

The Corporation is subject to various capital requirements in connection with seller/servicer agreements that the Corporation has entered into with secondary market investors. Failure to maintain minimum capital requirements could result in the Corporation's inability to originate and service loans for the respective investor and, therefore, could have a direct material effect on the Corporation's financial statements. Management believes, as of December 31, 2018 and 2017, that the Corporation met all capital requirements in connection with seller/servicer agreements.

12. Employee Benefits

Pension Plans

The Corporation provides pension benefits for its employees through membership in the Savings Banks Employees' Retirement Association (SBERA). The plan is a noncontributory, defined benefit plan. Corporation employees become eligible after attaining age 21 and one year of service. Additionally, benefits become fully vested after three years of eligible service for individuals employed by the Corporation on or before October 31, 1989. Individuals employed subsequent to October 31, 1989 become fully vested after five years of eligible service. The Corporation's annual contribution to the defined benefit plan is based upon standards established by the Pension Protection Act. The contribution is based on an actuarial method intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future.

SBERA offers a common and collective trust as the underlying investment structure for pension plans participating in the association. The target allocation mix for the common and collective trust portfolio calls for an equity-based investment deployment range of 40% to 64% of total common and collective trust portfolio assets. The remainder of the common and collective trust's portfolio is allocated to fixed income with a target range of 15% to 25% and other investments, including global asset allocation and hedge funds, from 25% to 41%. The investment managers for the common and collective trust portfolio are selected by the trustees of SBERA through the association's investment committee. A professional investment advisory firm is retained by the investment committee to provide allocation analysis, performance measurement, and to assist with manager searches. The overall investment objective is to diversify equity investments across a spectrum of investment types to limit risks from large market swings. The defined benefit plan has a plan year end of October 31.

The Corporation has an unfunded defined benefit Supplemental Executive Retirement Plan (DB SERP) that provides certain retired and currently employed officers with defined pension benefits in excess of qualified plan limits imposed by U.S. federal tax law. The DB SERP has a plan year end of December 31. In addition, the Corporation has an unfunded Benefit Equalization Plan (BEP) to provide retirement benefits to certain employees whose retirement benefits under the qualified pension plan are limited per the Internal Revenue Code. The BEP has a plan year end of October 31. The Corporation also has an unfunded Outside Directors' Retainer Continuance Plan that provides pension benefits to outside directors who retire from service. The Outside Directors' Retainer Continuance Plan has a plan year end of December 31.

12. Employee Benefits (continued)

The funded status and amounts recognized in the Corporation's consolidated financial statements for the defined benefit plan, the DB SERP, the BEP and the Outside Directors' Retainer Continuance Plan are set forth in the following table:

	2018	2017
	(In Thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of the year	**$ 328,409**	$ 268,125
Service cost	**23,256**	19,156
Interest cost	**11,170**	10,413
Actuarial (gain) loss	**(46,932)**	42,042
Benefits paid	**(13,586)**	(11,327)
Benefit obligation at end of the year	**$ 302,317**	$ 328,409
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 335,369**	$ 228,509
Actual return on plan assets	**(18,918)**	31,999
Employer contribution	**2,289**	86,188
Benefits paid	**(13,586)**	(11,327)
Fair value of plan assets at end of year	**305,154**	335,369
Funded status	**$ 2,837**	$ 6,960
Reconciliation of funding status:		
Past service cost	**$ (69)**	$ (113)
Unrecognized net loss	**(82,542)**	(92,842)
Prepaid benefit cost	**85,448**	99,915
Funded status	**$ 2,837**	$ 6,960
Accumulated benefit obligation	**$ 223,865**	$ 235,513
Amounts recognized in accumulated other comprehensive income, net of tax:		
Unrecognized past service cost	**$ (50)**	$ (61)
Unrecognized net loss	**(59,339)**	(57,643)
Net amount	**$ (59,389)**	$ (57,704)
Amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit cost over the next fiscal year:		
Unrecognized past service cost	**$ 32**	$ 32
Unrecognized net loss	**5,207**	5,479
Net amount	**$ 5,239**	$ 5,511

12. Employee Benefits (continued)

Assumptions used in determining the benefit obligation and pension cost were as follows:

	2018	2017
Discount rate - benefit obligation	**4.25%**	3.50%
Discount rate - benefit cost	**3.50%**	4.00%
Rate of increase in compensation levels for defined benefit plan and BEP - benefit obligation	**5.25%**	5.25%
Rate of increase in compensation level for directors' retainer continuance plan - benefit obligation	**3.00%**	3.00%
Rate of increase in compensation levels for defined benefit plan and BEP - benefit cost	**5.25%**	5.25%
Rate of increase in compensation level for directors' retainer continuance plan - benefit cost	**3.00%**	3.00%
Expected return on plan assets for defined benefit plan - benefit obligation	**7.50%**	7.75%
Expected return on plan assets for defined benefit plan - benefit cost	**7.75%**	7.75%

In general, the Corporation has selected its assumption with respect to the expected long-term rate of return based on prevailing yields on high quality fixed income investments increased by a premium for equity return expectations.

In 2018, upon the hiring of a new actuarial firm, the Corporation refined its methodology for determining the discount rate used in calculating the benefit obligation and the benefit cost for all of its defined benefit plans. This change was effective in calculating the benefit obligations as of December 31, 2018 and the benefit costs beginning for fiscal year 2019. The Corporation now uses the spot rate approach whereby the individual spot rates on the FTSE above-median yield curve are applied to each corresponding year's projected cash flow used to measure the respective plan's service cost and interest cost. The Corporation believes that the new methodology more accurately determines each plan's service cost and interest cost for the fiscal year versus using the single equivalent discount rate by strengthening the correlation between the projected cash flows and the corresponding discount rate use to measure those components of net periodic pension cost.

12. Employee Benefits (continued)

The Corporation accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and, accordingly, accounted for it prospectively. A total estimated benefit obligation of $302.3 million was calculated at December 31, 2018 under the new methodology. Under the prior methodology, a total estimated benefit obligation of $310.3 million would have been calculated at December 31, 2018. The new methodology will be used to measure the service cost and interest cost for the Corporation's defined benefit plans in 2019. Based on current economic conditions, the Corporation estimates that the service cost and interest cost for those plans will be reduced by approximately $2.0 million in 2019 as a result of the change.

The Corporation owns a percentage of the SBERA defined benefit common collective trust. Based upon this ownership percentage, plan assets managed by SBERA on behalf of the Corporation amounted to $305.2 million and $335.4 million at December 31, 2018 and 2017, respectively. Investments held by the common collective trust include Level 1, 2 and 3 assets such as: collective funds, equity securities, mutual funds, hedge funds and short-term investments. The Fair Value Measurements and Disclosures Topic of the FASB ASC stipulates that an asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. As such, the Corporation classifies its interest in the common collective trust as a Level 3 asset.

The table below presents a reconciliation of the Corporation's interest in the SBERA common collective trust during the year ended December 31, 2018:

	(In Thousands)
Balance at January 1, 2018	$ 335,369
Net realized and unrealized gains and losses	(18,918)
Contributions	-
Benefits Paid	(11,297)
Balance at December 31, 2018	$ 305,154

12. Employee Benefits (continued)

The components of net pension expense for the plans for the years ended December 31 follows:

	2018	2017
	(In Thousands)	
Components of net periodic benefit cost:		
Service cost	**$ 23,258**	$ 19,156
Interest cost	**11,170**	10,413
Expected return on plan assets	**(25,335)**	(17,156)
Past service cost	**44**	44
Recognized net actuarial loss	**7,621**	5,803
Net periodic benefit cost	**$ 16,758**	$ 18,260

In accordance with the Pension Protection Act, the Corporation is not required to make any contributions for the defined benefit plan for the plan year beginning November 1, 2018.

The following table summarizes estimated benefits to be paid from the defined benefit plan, DB SERP, BEP, and Directors' Retainer Continuance Plan for the plan years beginning November 1 and January 1, respectively.

	(In Thousands)
2019	$ 22,925
2020	19,865
2021	20,421
2022	21,866
2023	23,701
In aggregate for 2024 - 2028	134,887

12. Employee Benefits (continued)

The Corporation consolidates a rabbi trust VIE which consists of investments that are used to fund certain executive non-qualified retirement benefits and deferred compensation. These rabbi trust investments consist primarily of cash and cash equivalents, U.S. government agency obligations, equity securities, mutual funds and other exchange-traded funds, and were recorded at fair value. Changes in fair value are recorded in noninterest income. The liabilities associated with these non-qualified plans and deferred compensation are included in other liabilities.

Assets held in rabbi trust accounts by plan type, at fair value, were as follows:

	At December 31, 2018	At December 31, 2017
	(In Thousands)	
Deferred Compensation	**$ 21,249**	$ 25,846
DB SERP	**18,183**	21,328
DC SERP	**18,947**	19,454
Directors' Retainer Continuance Plan	**3,273**	3,482
Benefit Equalization Plan	**3,167**	814
	$ 64,819	$ 70,924

For the years ended December 31, 2018 and 2017, the net unrealized gain on rabbi trust investments still held at the reporting date were $3.2 million and $10.6 million, respectively.

12. Employee Benefits (continued)

Employee Tax Deferred Incentive Plan

The Corporation has an employee tax deferred incentive plan (401(k)) under which the Corporation makes voluntary contributions within certain limitations. All employees who meet specified age and length of service requirements are eligible to participate in the 401(k) plan. The amount contributed by the Corporation is included in salaries and employee benefits expense. The amounts contributed for the years ended December 31, 2018 and 2017, were $3.9 million and $3.8 million, respectively.

Defined Contribution Supplemental Executive Retirement Plan

The Corporation has a defined contribution supplemental executive retirement plan (DC SERP), which allows certain senior officers to earn benefits calculated as a percentage of their compensation. In addition, the participant benefits are adjusted based upon a deemed investment performance of measurement funds selected by the participant. These measurement funds are for tracking purposes and are used only to track the performance of a mutual fund, market index, savings instrument, or other designated investment or portfolio of investments. The Corporation recorded expense related to the DC SERP of $1.4 million and $1.1 million in 2018 and 2017, respectively. The total amount due to participants under this plan was included in other liabilities on the Corporation's balance sheet and amounted to $18.6 million and $18.7 million at December 31, 2018 and 2017, respectively.

Deferred Compensation

The Corporation sponsors three plans which allow for elective compensation deferrals by directors, trustees, and certain senior-level employees. Each plan allows its participants to designate deemed investments for deferred amounts from certain options which include diversified choices, such as exchange traded funds, mutual funds, and a deemed fund yielding the highest rate paid by the Corporation on deposit accounts each month. Portfolios with various risk profiles are available to participants with the approval of the Compensation Committee. The Corporation purchases and sells investments which track the deemed investment choices, so that it has available funds to meet its payment liabilities. Deferred amounts, adjusted for deemed investment performance, are paid at the time of a participant designated date or event, such as separation from service, death, or disability. The total amounts due to participants under the three plans were included in other liabilities on the Corporation's balance sheet and amounted to $21.0 million and $25.8 million at December 31, 2018 and 2017, respectively.

13. Commitments and Contingencies

The Corporation has been named a defendant in various legal proceedings arising in the normal course of business. In the opinion of management, based on the advice of legal counsel, the ultimate resolution of these proceedings will not have a material effect on the Corporation's consolidated financial statements.

The Corporation is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to originate or purchase loans, standby letters of credit, interest rate swap contracts, foreign currency exchange contracts, and forward commitments. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument of loan commitments and standby letters of credit is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. For interest rate swap contracts, foreign currency exchange contracts, and forward commitments, the contract or notional amount does not represent exposure to credit loss. The Corporation controls the credit risk of its interest rate swap contracts and forward commitments through credit approvals, limits, and monitoring procedures.

13. Commitments and Contingencies (continued)

Financial instruments with off-balance sheet risk at December 31 follows:

	2018	2017
	(In Thousands)	
Unused lines of credit	**$ 2,700,142**	$ 2,323,167
Commitments to originate commercial loans	**250,493**	172,141
Commitments to originate residential loans	**79,186**	79,859
Unadvanced portions of construction loans	**253,248**	294,154
Standby letters of credit	**62,683**	45,102
Forward commitments to sell loans	**12,613**	16,624
Interest rate swap contracts (notional amount):		
Cash flow hedges - interest rate positions	**660,000**	-
Customer-related positions	**3,154,181**	3,011,066
Foreign currency exchange contracts:		
Commitments to sell forward contracts (notional amount)	**27,599**	15,678
Commitments to buy forward contracts (notional amount)	**27,511**	15,626

Unused lines of credit, commitments to originate loans, and unadvanced portions of construction loans are agreements to lend to a customer, provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. For all lines of credit and loans, the Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the borrower. The Corporation does not sell loans with recourse.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

13. Commitments and Contingencies (continued)

As a member of the Federal Reserve System, the Bank is required to maintain certain reserves of vault cash and/or deposits with the Federal Reserve Bank of Boston. The amount of this reserve requirement included in cash and cash equivalents was approximately $39.8 million on December 31, 2018.

14. Derivative Financial Instruments

The Corporation early adopted ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities* as of January 1, 2018. As the Corporation had no existing designated accounting hedges as of the implementation date, this standard was adopted prospectively.

The Corporation's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Corporation's known or expected cash receipts principally to manage the Corporation's interest rate risk. In addition, the Corporation enters into interest rate derivatives and foreign exchange contracts to accommodate the business requirements of its customers ("customer-related positions"). Derivative instruments are carried at fair value in the Corporation's financial statements. The accounting for changes in the fair value of a derivative instrument is dependent upon whether or not it qualifies as a hedge for accounting purposes, and further, by the type of hedging relationship.

Interest Rate Positions

The Corporation has entered into pay floating/receive fixed interest rate swaps to manage its interest rate risk exposure to the variability in interest cash flows on certain floating-rate commercial loans. An interest rate swap is an agreement whereby one party agrees to pay a floating rate of interest on a notional principal amount in exchange for receiving a fixed rate of interest on the same notional amount, for a predetermined period of time, from a second party. The amounts relating to the notional principal amount are not actually exchanged. The Corporation's interest rate swaps effectively convert the floating rate one-month LIBOR interest payments received on the commercial loans to a fixed rate and consequently reduce the Bank's exposure to variability in short-term interest rates. These swaps are accounted for as cash flow hedges and therefore changes in fair value are included in other comprehensive income and reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings.

14. Derivative Financial Instruments (continued)

The following table reflects the Corporation's derivative positions as of December 31, 2018 for interest rate swaps which qualify as cash flow hedges for accounting purposes.

Notional Amount	Trade Date	Effective Date	Maturity Date	Pay Variable Index	Current Rate Paid	Receive Fixed Swap Rate	Fair value
			($ In Thousands)				
			December 31, 2018				
$ 40,000	23-Feb-18	23-Feb-18	15-Feb-21	1 Month LIBOR	2.46%	2.45%	$ 30
40,000	23-Feb-18	23-Feb-18	15-Jan-21	1 Month LIBOR	2.46%	2.44%	7
40,000	26-Mar-18	26-Mar-18	15-Mar-21	1 Month LIBOR	2.46%	2.50%	21
40,000	16-Apr-18	16-Apr-18	15-Apr-21	1 Month LIBOR	2.46%	2.55%	23
40,000	31-May-18	31-May-18	15-May-21	1 Month LIBOR	2.46%	2.56%	25
40,000	21-Jun-18	21-Jun-18	15-Jun-21	1 Month LIBOR	2.46%	2.71%	26
60,000	20-Jul-18	20-Jul-18	15-Jul-21	1 Month LIBOR	2.46%	2.70%	42
60,000	27-Aug-18	27-Aug-18	15-Aug-21	1 Month LIBOR	2.46%	2.72%	45
60,000	10-Sep-18	15-Sep-18	15-Sep-21	1 Month LIBOR	2.46%	2.78%	47
80,000	19-Oct-18	19-Oct-18	15-Oct-21	1 Month LIBOR	2.46%	3.00%	67
80,000	30-Nov-18	30-Nov-18	15-Nov-21	1 Month LIBOR	2.46%	2.80%	70
80,000	20-Dec-18	20-Dec-18	15-Dec-21	1 Month LIBOR	2.46%	2.57%	72
$ 660,000							$ 475

The Corporation did not have any interest rate swaps which qualified as cash flow hedges for accounting purposes as of December 31, 2017.

The maximum amount of time over which the Corporation is currently hedging its exposure to the variability in future cash flows of forecasted transactions related to the receipt of variable interest on existing financial instruments is 3 years.

For derivative instruments that are designated and qualify as cash flow hedging instruments, the effective portion of the gains or losses is reported as a component of other comprehensive income and is subsequently reclassified into earnings in the period that the hedged transaction affects earnings. The Corporation expects approximately $1.0 million to be reclassified into interest income from other comprehensive income related to the Corporation's cash flow hedges in the next twelve months. This reclassification is due to anticipated payments that will be received on the swaps based upon the forward curve as of December 31, 2018.

14. Derivative Financial Instruments (continued)

Customer-Related Positions

Interest rate swaps offered to commercial customers do not qualify as hedges for accounting purposes. The Corporation believes that its exposure to commercial customer derivatives is limited because these contracts are simultaneously matched at inception with an offsetting dealer transaction. The program allows the Corporation to retain variable rate commercial loans while allowing the commercial customer to synthetically fix the loan rate by entering into a variable-to-fixed rate interest rate swap. Exposure with respect to these derivatives is largely limited to nonperformance by either the customer or the dealer.

Foreign exchange contracts offered to commercial customers do not qualify as hedges for accounting purposes. These customer derivatives are offset with matching derivatives with correspondent bank counterparties in order to minimize foreign exchange rate risk to the Corporation. Exposure with respect to these derivatives is largely limited to nonperformance by either the customer or the other counterparty.

The following table presents the Corporation's customer-related derivative positions for the periods indicated below for those derivatives not designated as hedging.

	Number of Positions	Total Notional
	(Dollars in Thousands)	
	December 31, 2018	
Interest rate swaps	**544**	**$ 3,154,181**
Foreign exchange contracts	**72**	**55,110**
	December 31, 2017	
Interest rate swaps	526	$ 2,986,390
Foreign exchange contracts	74	31,304

The level of interest rate swaps and foreign currency exchange contracts at each year-end period noted above was commensurate with the activity throughout those years.

14. Derivative Financial Instruments (continued)

The table below presents the fair value of the Corporation's derivative financial instruments, as well as their classification on the balance sheet for the periods indicated.

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	**Fair Value at December 31, 2018**	**Fair Value at December 31, 2017**	**Balance Sheet Location**	**Fair Value at December 31, 2018**	**Fair Value at December 31, 2017**
			(In Thousands)			
Derivatives designated as hedging instruments:						
Interest rate swaps	Other assets	**$ 475**	**$ -**	Other liabilities	**$ -**	**$ -**
Derivatives not designated as hedging instruments:						
Customer-related positions:						
Interest rate swaps	Other assets	**$ 33,696**	$ 23,533	Other liabilities	**$ 26,256**	$ 22,148
Foreign currency exchange contracts	Other assets	**547**	5,668	Other liabilities	**459**	5,616
		$ 34,243	$ 29,201		**$ 26,715**	$ 27,764
Total		$ **34,718**	$ 29,201		$ **26,715**	$ 27,764

The table below presents the net effect of the Corporation's derivative financial instruments on the consolidated income statements as well as the effect of the Corporation's derivative financial instruments included in OCI for the years ended December 31, 2018 and 2017.

	For the Year Ended 2018	2017
	(In Thousands)	
Derivatives designated as hedges:		
Gain (loss) in OCI on derivatives	**$ 5,354**	$ -
Gain (loss) reclassified from OCI into interest income (effective portion)	**$ 1,198**	$
Gain (loss) recognized in income on derivatives (ineffective portion and amount excluded from effectiveness test)		
Interest income	**$ -**	$ -
Other income	**-**	-
Total	**$ -**	$ -
Derivatives not designated as hedges:		
Customer-related positions:		
Gain (loss) recognized in interest rate swap income	**$ (550)**	$ (172)
Gain (loss) recognized in other income for foreign currency exchange contracts	**36**	(32)
Total gain (loss) for derivatives not designated as hedges	**$ (514)**	$ (204)

14. Derivatives Financial Instruments (continued)

The Corporation has agreements with its customer-related interest rate swap derivative counterparties that contain a provision whereby if the Corporation defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Corporation could also be declared in default on its derivative obligations.

The Corporation also has agreements with certain of its customer-related interest rate swap derivative counterparties that contain a provision whereby if the Corporation fails to maintain its status as a well-capitalized institution, then the counterparty could terminate the derivative positions and the Corporation would be required to settle its obligations under the agreements.

As of December 31, 2018, the fair value of customer-related interest rate swap derivatives that contain credit-risk related contingent features that are in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $0. The Corporation has minimum collateral posting thresholds with certain of its customer-related interest rate swap derivative counterparties to the extent that the Corporation has a liability position with the counterparties. Since the Corporation was in an asset position with all counterparties at December 31, 2018, it had posted collateral of $0 which would have been included in other short-term investments and would be considered to be a restricted asset to the extent it had posted collateral. The minimum posting collateral considered to be restricted at December 31, 2017 was $9.8 million. If the Corporation had breached any of these provisions at December 31, 2018, it would have been required to settle its obligations under the agreements at the termination value. In addition, the Corporation had cross-default provisions with its commercial customer loan agreements which provide cross-collateralization whit the customer loan collateral.

15. Balance Sheet Offsetting

Certain financial instruments, including derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Corporation's derivative transactions with upstream financial institution counterparties are generally executed under International Swaps and Derivative Association master agreements which include "right of set-off" provisions. In such cases there is generally a legally enforceable right to offset recognized amounts. However, the Corporation does not offset fair value amounts recognized for derivative instruments. The Corporation does net the amount recognized for the right to reclaim cash collateral against the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement. Collateral legally required to be maintained at dealer banks by the Corporation is monitored and adjusted as necessary. Per a review completed by management of these instruments at December 31, 2018, it was determined that no additional collateral would have to be posted to immediately settle these instruments.

The following table presents the Corporation's asset positions that were eligible for offset and the potential effect of netting arrangements on its financial position, as of the periods indicated:

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Received	Net Amount
			(In Thousands)			
			December 31, 2018			
Interest rate swaps	**$ 475**	**$**	**$ 475**	**$**	**$**	**$ 475**
Customer-related positions:						
Interest rate swaps	**33,696**	**-**	**33,696**	**2,849**	**13,350**	**17,497**
Foreign currency exchange contracts	**547**	**-**	**547**	**236**	**311**	**-**
	$ 34,718	**$ -**	**$ 34,718**	**$ 3,085**	**$ 13,661**	**$ 17,972**
			December 31, 2017			
Customer-related positions:						
Interest rate swaps	$ 23,533	$ -	$ 23,533	$ 7,080	$ 4,790	$ 11,663
Foreign currency exchange contracts	5,668	-	5,668	32	1,441	4,195
	$ 29,201	$ -	$ 29,201	$ 7,112	$ 6,231	$ 15,858

15. Balance Sheet Offsetting (continued)

The following table presents the Corporation's liability positions that were eligible for offset and the potential effect of netting arrangements on its financial position, as of the periods indicated:

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Pledged	Net Amount
			(In Thousands)			
			December 31, 2018			
Customer-related positions:						
Interest rate swaps	**$ 26,256**	**$ -**	**$ 26,256**	**$ 2,849**	**$ 1,786**	**$ 21,621**
Foreign currency exchange contracts	**459**	**-**	**459**	**236**	**-**	**223**
	$ 26,715	**$ -**	**$ 26,715**	**$ 3,085**	**$ 1,786**	**$ 21,844**
			December 31, 2017			
Customer-related positions:						
Interest rate swaps	$ 22,148	$ -	$ 22,148	$ 7,080	$ 9,784	$ 5,284
Foreign currency exchange contracts	5,616	-	5,616	32	-	5,584
	$ 27,764	$ -	$ 27,764	$ 7,112	$ 9,784	$ 10,868

16. Fair Value of Assets and Liabilities

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Corporation's own assumptions are set to reflect those that the Corporation believes market participants would use in pricing the asset or liability at the measurement date. The Corporation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Corporation's entire holdings of a particular financial instrument. Because no active market exists for a portion of the Corporation's financial instruments, fair value estimates are based on judgements regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

16. Fair Value of Assets and Liabilities (continued)

The following methods and assumptions were used by the Corporation in estimating the fair value of assets and liabilities measured at fair value on a recurring basis:

Trading Securities

Trading securities consisted of fixed income municipal securities and were recorded at fair value. All of the fixed income securities were categorized in Level 2 as the valuations were estimated by a third-party pricing vendor using a valuation matrix with inputs including bond interest rate tables, recent transactions, and yield relationships.

Securities Available for Sale

Securities available for sale consisted primarily of U.S. government-sponsored residential mortgage-backed securities, and other bonds and obligations, and were recorded at fair value.

The fair value of other U.S. government-sponsored residential mortgage-backed securities was estimated using either a matrix or benchmarks. The inputs used include benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. These securities were categorized as Level 2.

Other bonds and obligations consisted primarily of municipal bonds. The municipal bonds were classified as Level 2 for the same reasons described for the trading municipal securities. For the qualified zone academy bond, the Corporation conducted a credit analysis on the issuer and utilized a discounted cash flow methodology to value the bond. As the valuation inputs for the qualified zone academy bond are unobservable, this security is classified as Level 3.

Fair value was based on the value of one unit without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications, or estimated transaction costs. The estimated fair value of the Corporation's securities available for sale, by type, is disclosed in Note 3.

16. Fair Value of Assets and Liabilities (continued)

Rabbi Trust Investments

Rabbi trust investments consisted primarily of cash and cash equivalents, U.S. Government agency obligations, equity securities, mutual funds and other exchange-traded funds, and were recorded at fair value and included in other assets. The purpose of these rabbi trust investments is to fund certain executive non-qualified retirement benefits and deferred compensation.

For cash and cash equivalents, which have maturities of 90 days or less, their carrying amounts reported in the consolidated balance sheets approximate fair value and were categorized as Level 1. The fair value of other U.S. government agency obligations was estimated using either a matrix or benchmarks. The inputs used include benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. These securities were categorized as Level 2. The equity securities and other exchange-traded funds were valued based on quoted prices from the market. The equities, mutual funds and exchange-traded funds traded in an active market were categorized as Level 1. Mutual funds at net asset value amounted to $15.6 million and $19.2 million at December 31, 2018 and 2017, respectively. There were no redemption restrictions on these mutual funds at either year end.

Interest Rate Swaps

The fair value of interest rate swaps was determined using discounted cash flow analysis on the expected cash flows of the interest rate swaps. This analysis reflects the contractual terms of the interest rate swaps, including the period of maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. In addition, for customer-related interest rate swaps, the analysis reflects a credit valuation adjustment to reflect the Corporation's own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. The majority of inputs used to value its interest rate swaps fall within Level 2 of the fair value hierarchy, but the credit valuation adjustments associated with the interest rate swaps utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Corporation and its counterparties. However, as of December 31, 2018, the impact of the Level 3 inputs on the overall valuation of the interest rate swaps was deemed not significant to the overall valuation. As a result, the interest rate swaps were categorized as Level 2 within the fair value hierarchy.

16. Fair Value of Assets and Liabilities (continued)

Foreign Currency Forward Contracts

The fair values of foreign currency forward contracts were based upon the remaining expiration period of the contracts and bid quotations received from foreign exchange contract dealers, and were categorized as Level 2 within the fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis were as follows:

		Fair Value Measurements at Reporting Date Using		
Description	**Balance as of December 31, 2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In Thousands)		
Assets				
Trading securities				
Municipal bonds	$ 52,899	$ -	$ 52,899	$ -
Securities available for sale				
Government-sponsored residential mortgage-backed securities	1,136,137	-	1,136,137	-
State and municipal bonds and obligations	313,716	-	313,716	-
Other bonds	6,045	-	-	6,045
Rabbi trust investments	64,819	54,754	10,065	-
Interest rate swap contracts				
Cash flow hedges - interest rate positions	475	-	475	-
Customer-related positions	33,696	-	33,696	-
Foreign currency forward contracts	547	-	547	-
Total	$ 1,608,334	$ 54,754	$ 1,547,535	$ 6,045
Liabilities				
Interest rate swap contracts				
Customer-related positions	26,256		26,256	-
Foreign currency forward contracts	459	-	459	-
Total	$ 26,715	$ -	$ 26,715	$ -

16. Fair Value of Assets and Liabilities (continued)

Description	Balance as of December 31, 2017	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In Thousands)		
Assets				
Trading securities				
Municipal bonds	$ 46,791	$ -	$ 46,791	$ -
Securities available for sale				
Government-sponsored residential mortgage-backed securities	1,167,444	-	1,167,444	-
State and municipal bonds and obligations	331,380	-	331,380	-
Other bonds	5,986	-	50	5,936
Rabbi trust investments	70,924	57,760	13,164	-
Interest rate swap contracts				
Customer-related positions	23,533	-	23,533	-
Foreign currency forward contracts	5,668	-	5,668	-
Total	$ 1,651,726	$ 57,760	$ 1,588,030	$ 5,936
Liabilities				
Interest rate swap contracts				
Cash flow hedges - interest rate positions	$ 22,148	$ -	$ 22,148	$ -
Foreign currency forward contracts	5,616	-	5,616	-
Total	$ 27,764	$ -	$ 27,764	$ -

There were no transfers to Level 3 during 2018 or 2017.

16. Fair Value of Assets and Liabilities (continued)

The Corporation may also be required, from time to time, to measure certain other assets on a nonrecurring basis in accordance with generally accepted account principles. These adjustments to fair value usually result from write-downs of individually impaired assets. The following table summarizes the fair value hierarchy used to determine each adjustment and the carrying value of the related individual assets of December 31, 2018 and 2017. Individual assets were measured during the reporting periods and measurement dates may not coincide with the reporting dates. The gain/(loss) represents the amount of write-down recorded during 2018 and 2017 on the assets held at December 31, 2018 and 2017.

		Fair Value Measurements at Reporting Date Using			
Description	**Balance as of December 31, 2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses)**
			(In Thousands)		
Assets					
Other real estate owned	$ **35**	$ **-**	$ **-**	$ **35**	$ **-**
Collateral-dependent impaired loans whose fair value is based upon appraisals	**12,039**	**-**	**-**	**12,039**	**(1,311)**
Total	$ **12,074**	$ **-**	$ **-**	$ **12,074**	$ **(1,311)**

16. Fair Value of Assets and Liabilities (continued)

		Fair Value Measurements at Reporting Date Using			
Description	**Balance as of December 31, 2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses)**
			(In Thousands)		
Assets					
Other real estate owned	$ 35	$ -	$ 35	$ -	$ (11)
Collateral-dependent impaired loans whose fair value is based upon appraisals	11,023	-	6,928	4,095	(51)
Total	$ 11,058	$ -	$ 6,963	$ 4,095	$ (62)

For the valuation of the other real estate owned and collateral-dependent impaired loans categorized as Level 3, the Corporation relies primarily on third-party valuation information from certified appraisers and values are generally based upon recent appraisals of the underlying collateral, brokers' opinions based upon recent sales of comparable properties, estimated equipment auction or liquidation values, income capitalization, or a combination of income capitalization and comparable sales. Depending on the type of underlying collateral, valuations may be adjusted by management for qualitative factors such as economic factors and estimated liquidation expenses. The range of these possible adjustments may vary.

Impaired loans in which the reserve was established based upon expected cash flows discounted at the loan's effective interest rate are not deemed to be measured at fair value.

17. Other Comprehensive Income

Effective in 2018 and as a result of ASU 2018-02, *Reporting Comprehensive Income*, the Corporation elected to reclassify certain tax effects from accumulated other comprehensive income to retained earnings related to items that were stranded in comprehensive income as a result of the Tax Cut and Jobs Act. This served to increase retained earnings and decrease accumulated other comprehensive income by $7.2 million.

The Corporation's comprehensive income, presented net of taxes, is set forth below for the years ended December 31, 2018 and 2017:

	Year Ended December 31, 2018		
	Pre Tax Amount	Tax (Expense) Benefit	After Tax Amount
	(In Thousands)		
Unrealized gains (losses) on securities available for sale:			
Change in fair value of securities available for sale	**$ (39,144)**	**$ 8,659**	**$ (30,485)**
Less: reclassification adjustment for gains included in net income	**50**	**(10)**	**40**
Net change in fair value of securities available for sale	**(39,194)**	**8,669**	**(30,525)**
Unrealized gains (losses) on cash flow hedges:			
Change in fair value of cash flow hedges	**5,354**	**(1,505)**	**3,849**
Less: net cash flow hedge losses reclassified into interest income	**1,198**	**(337)**	**861**
Net change in fair value of cash flow hedges	**4,156**	**(1,168)**	**2,988**
Defined benefit pension plans:			
(Amortization) of actuarial net loss	**(7,621)**	**2,142**	**(5,479)**
Change in actuarial net loss	**(2,680)**	**754**	**(1,926)**
(Amortization) of prior service cost	**(44)**	**12**	**(32)**
Net change in actuarial net loss	**(10,345)**	**2,908**	**(7,437)**
Total other comprehensive income	**$ (24,693)**	**$ 4,593**	**$ (20,100)**

	Year Ended December 31, 2017		
	Pre Tax Amount	Tax (Expense) Benefit	After Tax Amount
	(In Thousands)		
Unrealized gains (losses) on securities available for sale:			
Change in fair value of securities available for sale	$ 17,453	$ (6,475)	$ 10,978
Less: reclassification adjustment for gains included in net income	11,356	(4,619)	6,737
Net change in fair value of securities available for sale	6,097	(1,856)	4,241
Defined benefit pension plans:			
(Amortization) of actuarial net loss	(5,803)	1,631	(4,172)
Change in actuarial net loss	27,200	(7,645)	19,555
(Amortization) of prior service cost	(44)	12	(32)
Net change in actuarial net loss	21,353	(6,002)	15,351
Total other comprehensive income	$ (15,256)	$ 4,146	$ (11,110)

17. Other Comprehensive Income (continued)

The following table illustrates the changes in the balances of each component of accumulated other comprehensive income, net of tax:

	Unrealized Gains and (Losses) on Available-for-Sale Securities	Unrealized Gains and (Losses) on Cash Flow Hedges	Defined Benefit Pension Items	Total
	(In Thousands)			
Beginning balance: January 1, 2018	$ 9,212	$ -	$ (57,704)	$ (48,492)
Opening balance reclassification [(1)] :	1,953	-	(9,122)	(7,169)
Other comprehensive income (loss) before reclassifications	(30,485)	3,849	1,926	(24,710)
Less: Amounts reclassified from accumulated other comprehensive income	40	861	(5,511)	(4,610)
Net current-period other comprehensive income	(30,525)	2,988	7,437	(20,100)
Ending balance: December 31, 2018	$ (19,360)	$ 2,988	$ (59,389)	$ (75,761)

(1) Opening balance reclassification adjustment, related to the adoption of Accounting Standards Update 2018-02, to reclassify amounts stranded in other comprehensive income to retained earnings as a result of the Tax Cuts and Jobs Act.

17. Other Comprehensive Income (continued)

The following table illustrates the significant amounts reclassified out of each component of accumulated other comprehensive income, net of tax, during the year ended December 31, 2018:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement Where Net Income is Presented
	(In Thousands)		
Unrealized gains and losses on available-for-sale securities	$	50	Gain/(loss) on sale of securities
		50	Total before tax
		(10)	Tax (expense) or benefit
	$	40	Net of tax
Unrealized gains and losses on cash flow hedges	$	1,198	Interest income
		1,198	Total before tax
		(337)	Tax (expense) or benefit
	$	861	Net of tax
Amortization of defined benefit pension items	$	7,621	Net periodic pension cost - see
Prior service cost		44	Employee Benefits footnote
		7,665	Total before tax
		(2,154)	Tax expense or (benefit)
	$	5,511	Net of tax
Total reclassifications for the period	$	(4,610)	

Eastern Bank Corporation

Chair and Chief Executive Officer
Robert F. Rivers

Vice Chair
Quincy L. Miller

President
Jan A. Miller

Chief Financial Officer and Treasurer
James B. Fitzgerald

Secretary
Kathleen C. Henry

Assistant Secretaries and Assistant Clerks
Mary E. Conway
Norah A. Sullivan
Susan L. Martin

Executive Committee – Eastern Bank Corporation

Board of Directors – Eastern Bank

Richard C. Bane
President
Bane Care Management, LLC

Luis Borgen
Senior Vice President
Chief Financial Officer
Vistaprint

Joseph T. Chung
Managing Director and Co-founder
Redstar Ventures

Paul M. Connolly
Retired First Vice President and
Chief Operating Officer
Federal Reserve Bank of Boston

Bari A. Harlam
EVP, Chief Marketing Officer for Hudson's
Bay Corporation

Diane Hessan
Founder and Chairman
C Space

Richard E. Holbrook
Chairman Emeritus
Eastern Bank

Deborah C. Jackson
President
Cambridge College

Peter K. Markell
Executive Vice-President of Administration and
Finance, Chief Financial Officer and Treasurer
Partners HealthCare System, Inc.

Robert F. Rivers
Chair and Chief Executive Officer
Eastern Bank

Greg A. Shell
Managing Director
Bain Capital

Paul D. Spiess
Former Chairman of the Board
Centrix Bank and Trust

Eastern Bank Corporation as of February 1, 2019

Eastern Bank Corporation

Eastern Bank Corporation as of February 1, 2019

Eastern Bank Corporation

Corporators

The Corporation consists of the Directors, Trustees and the following Corporators:

Hope A. Aldrich
Paul G. Alexander
Jessica Andors
Lincoln D. Andrews
Zamawa Arenas
Evelyn Barahona
Michael J. Barry
Leonard M. Bello
Josefina Bonilla
Edward M. Breed
Tina P. Brzezenski
Richard R. Burns, Jr.
Susan J. Byrne
Thomas P. Callaghan
Nurys Z. Camargo
Dennis R. Cataldo
Harry Clark
Thomas A. Cole
Magnolia Contreras
Gregg Croteau
Yasmin Cruz
Brian T. Dacey
Susan Lee DaSilva
Marilyn B. Durkin
Herby Duverné
Betty Francisco
Louis R. Gallo
Raymond J. Gosselin
William J. Guinee
Barbara J. Heinemann
David C. Howse
Thomas P. Jaeger
Mark Jaffe
Michael E. Kiernan
Richard F. LaCamera
Malia C. Lazu
Jimmy Liang
Patrick T. Maddigan
Josiane Martinez
Juliette C. Mayers
Raul Medina
James Meniates, Jr.
Kenneth R. Michaels, Jr.
Salvatore Migliaccio, Jr.
James B. Miller
Michael J. Miller
Eva Millona
Myechia Minter-Jordan, M.D.
Juan Carlos Morales
Kenneth R. Newbegin
Stephen Rima
Eneida M. Román
Betsy G. Rooks
Leslie Saltzberg
David J. Sampson
Michael Shaw
Jeffrey N. Shribman
Nancy H. Stager
Sarah S. Stiles
Kasey Suffredini
Daniel J. Sullivan
Stephen C. Upton
Donald P. Uvanitte
Warren V. Valente
Alberto Vasallo III
Michael J. Welch
Donald M. Westermann
David Zorn

Eastern Bank Corporation as of February 1, 2019

EASTERN BANK MANAGEMENT

Chair and Chief Executive Officer
Robert F. Rivers

President
Quincy L. Miller

Vice Chair
Chief Commercial Banking Officer
Jan A. Miller

Vice Chair
Chief Administrative Officer & Chief Financial Officer
James B. Fitzgerald

OFFICE OF THE PRESIDENT

CONSUMER BANKING
Executive Vice President
*Barbara J. Heinemann

Senior Vice Presidents
Ruth P. Bitchell
Christine L. Danjou
Thomas J. Mercuro
Rana H. Murphy
Elizabeth J. O'Hara
Scott D. Stephenson

Mortgage Lending
Senior Vice Presidents
*John P. Brodrick
Paul F. Coveney

Corporate Call Center
Senior Vice President
*Heather A. Allen

Consumer Product Management
Senior Vice President
Laurie A. Hannigan

Consumer Lending
Senior Vice President
*Sujata Yadav

Business Banking
Senior Vice Presidents
*Kristopher Puskar
Anna Clune
Ryan Fullam
Ashley A. Irez
Charles M. Smith
Sarrah Stewart

Institutional Banking

Corporate, Treasury & Institutional Services
Senior Vice Presidents
*Lisa E. Carbone
Aileen Sheehan
Melissa S. Skomurski

Financial Institutions
Senior Vice President
*Mary Ann Jordan

Government Banking
Senior Vice President
*Heather L. Tittmann

International Banking
Senior Vice President
*Jonathan G. Marcus

Private Banking
Senior Vice President
*Carolyn E. Crowley

COMMERCIAL BANKING

Executive Vice Presidents
*Gregory Buscone
*Matthew A. Osborne

Commercial Real Estate
Senior Vice Presidents
*Nicholas K. Moise
Sean Boucher
Richard A. Donald
Susan A. Feig
David B. MacManus
Michael McCarthy

Community Development
Senior Vice Presidents
*Pamela M. Feingold
Patricia A. Capalbo
Yongmei A. Chen
John E. Marston
Christopher W. Scoville

New Hampshire Division
Senior Vice Presidents
*David H. Cassidy
Deborah T. Blondin
Brian A. Lavoie
Matthew J. Sylvia
Stephen H. Witt

Commercial & Industrial–North
Senior Vice Presidents
*Robert J. Moodie
Frank A. Coccoluto
Paul K. Kurker
Boris E. Nusinov
Brian Sheehan
Jared H. Ward

Commercial Banking–Metro South
Senior Vice Presidents
*Brendan P. O'Neill
Stephen J. DiPrete
Matthew Hunt

Commercial Banking–Boston South
Senior Vice Presidents
*Thomas J. King
Youssef Abdouh
Catherine S. Adams

Commercial & Industrial Lending
Senior Vice Presidents
*Daniel C. Field
James L. Murphy
David J. Nussbaum

Asset Based Lending
Senior Vice Presidents
Donald Lewis
Jonathan Sanchez

Capital Markets
Senior Vice Presidents
*James N. Fox
John D. Mullin

Managing Director
Edward M. Stabler

Commercial & Business Banking Risk Management
Senior Vice President
John Prendergast

*Denotes Business Leader

EASTERN WEALTH MANAGEMENT

Senior Vice Presidents
*William J. Walsh
Lori B. Evans
Julianne S. Lindsay
James E. Rich
David R. Sawyer
Susan K. Syversen
Maureen M. Trefry

Senior Vice President &
Chief Investment Officer
Michael A. Tyler

Managing Director
Rose M. Brooks

EASTERN INSURANCE GROUP, LLC

President and Chief Executive Officer
*Hope A. Aldrich

EIG–Commercial Lines

Executive Vice Presidents
*William F. Gross
James J. Howlett
*Timothy J. Lodge
Frank J. Smith

Senior Vice Presidents
Robert C. Alm
Mark D. Bailey
John M. Berksza
Mark J. Bossé
Peter K. Brockway
Joseph T. Carroll, Jr.
David H. Chase, Jr.
William Danielewski
Ann L. DeBiasio
Mikaela DeYoung-Asebrook
Thomas E. Donovan
Timothy P. Doran
Richard E. Eagan, Jr.
John P. Fallon
Lora L. FitzGerald
Dennis P. Gilligan
Roy T. Grafton
Sharon L. Gritzuk
Mark L. Kingston
Jon E. Lien
Michelle A. Lord
Deane Morreale
Paul-Michael Quintin
Donald J. Rielly, Jr.
George R. Samoluk
Susan Seifert
Christopher S. Sheppard
James S. Smith
William J. Surette
Donald P. Uvanitte

EIG–Personal Lines

Executive Vice President
*John F. Koegel

Senior Vice Presidents
Julie E. DiMeo
Gregory L. Grintchenko
Bruce M. Shapiro

Eastern Benefits Group

Executive Vice President
*Matthew F. Shadrick

Senior Vice Presidents
Patricia Bean
Brian F. Charon
Paul Coleman, Jr.
Charles R. Diamond
Colleen Doherty
Timothy J. Harrington, Jr.
Michael S. Kapnis
Joan A. Marasco
Anthony J. Murphy
Michael B. Uretsky

EIG Operations

Senior Vice President &
Operations Director
Marguerite L. Hartley

Accounting

Chief Financial Officer
Senior Vice President
John F. Ray

*Denotes Business Leader

CORPORATE SERVICES

CORPORATE CREDIT
Executive Vice President &
Chief Credit Officer
*Daniel J. Sullivan

Senior Vice Presidents
Michael Avin
Philip S. Dunn
John P. Farmer
Pete J. Kaznoski
Thomas G. Kinchla
Diana Lamkin
Katerina Papp
Amy M. Tsokanis
Katherine C. Wheeler

ENTERPRISE RISK MANAGEMENT
Executive Vice President
*Steven L. Antonakes

Senior Vice Presidents
Wendy L. de Villiers
Stacey A. Jackson
Caroline F. Malone
Dawn Mugford
Joshua Neffinger
John M. Pool
Karl C. Renney

HUMAN RESOURCES & CHARITABLE GIVING
Executive Vice President
*Nancy Huntington Stager

Senior Vice Presidents
Tyrone F. Graham
Jennifer G. Porter

Eastern Bank Charitable Foundation
Executive Director
Laura B. Kurzrok

Foundation for Business Equity
Executive Director
Glynn T. Lloyd

LEGAL
General Counsel
Kathleen C. Henry

MARKETING & COMMUNICATIONS
Executive Vice President &
Chief Marketing &
Communications Officer
*Paul G. Alexander

Senior Vice President
Tracy J. Stokes

TECHNOLOGY & OPERATIONS
Executive Vice President &
Chief Information Officer
*Donald M. Westermann

Senior Vice Presidents
Julie A. Colarusso
Ashley A. N. Eknaian
Craig P. Gardner
Mark T. Leonard
Brian G. Plourde

Operations
Senior Vice Presidents
*Martha A. Dean
Karen Carbone
Virginia Daniels
Annmarie Hewitt

Finance
Treasurer
Jillian A. Belliveau

Senior Vice President &
Controller
David A. Ahlquist

Senior Vice President
Mark P. Coryea

Audit
Senior Vice President &
Chief Internal Auditor
Cheryle J. Leonard

General Services
Senior Vice President
Thomas E. Dunn

*Denotes Business Leader

Eastern Bank Management as of March 2019

Eastern Bank Offices

Andover
60 Main Street

Bedford, NH
1 Atwood Lane

Beverly
33 Enon Street
81 Bridge Street

Boston
246 Border Street
155 Dartmouth Street
63 Franklin Street
265 Franklin Street
470 West Broadway
1413 Tremont Street

Braintree
51 Commercial Street

Bridgewater
110 Main Street

Brockton
1265 Belmont Street
276 Quincy Street

Brookline
301 Harvard Street

Burlington
43 Middlesex Turnpike

Cambridge
176 Alewife Brook Parkway
One Brattle Square
287 Third Street
647 Massachusetts Avenue

Chelmsford
291 Chelmsford Street

Chelsea
90 Everett Avenue

Concord, NH
11 South Main Street

Cotuit
1560 Old Post Road

Danvers
4 Federal Street

Dedham
240 Providence Highway

Dorchester
1906 Dorchester Avenue

Dover, NH
538 Central Avenue

Dracut
45 Broadway Road

Duxbury
19 Depot Street

East Wareham
3003 Cranberry Highway

Everett
738 Broadway

Falmouth
815 Main Street

Hingham
274 Main Street

Hyannis
375 Iyannough Road

Jamaica Plain
687 Centre Street

Kingston
108 Main Street

Lakeville
45 Main Street

Lawrence
486 Essex Street
Northern Essex Community
College – 420 Common Street

Lexington
1833 Massachusetts Avenue

Lowell
50 Central Street

Lynn
112 Market Street
156 Boston Street

Lynnfield
45 Salem Street

Malden
130 Pleasant Street

Manchester, NH
41 Hooksett Road

Marblehead
118 Washington Street

Marion
340 Front Street

Marshfield
1932 Ocean Street

Mashpee
6 Shellback Way

Mattapoisett
29 County Road

Medford
53 Locust Street

Melrose
441 Main Street

Nashua, NH
11 Trafalgar Square, Suite 105

Natick
2 South Avenue

Newburyport
17 Storey Avenue

Newton
1255 Centre Street
188 Needham Street
2060 Commonwealth Avenue

Norwell
80 Washington Street

Peabody
Essex Center Drive (Shaw's)
100 Brooksby Village Drive
300 Brooksby Village Drive
37 Foster Street

Plymouth
36 Main Street

Portsmouth, NH
163 Deer Street

Quincy
63 Franklin Street
34 Chapman Street

Randolph
35 Memorial Parkway

Reading
123 Haven Street

Revere
339 Squire Road

Salem
139 Washington Street
19 Congress Street
6 Traders Way

Sandwich
65C Route 6A

Saugus
605 Broadway
466 Lincoln Avenue

Sharon
7 South Main Street

Somerville
250 Elm Street

Stoneham
163 Main Street

Stoughton
397 Washington Street

Swampscott
405 Paradise Road

Taunton
742 County Street

Tewksbury
1800 Main Street

Wakefield
445 Main Street

Wareham
226 Main Street

Watertown
One Church Street

West Plymouth
71 Carver Road

Westford
203 Littleton Road

Weymouth
1150 Washington Street

Wilmington
370 Main Street

Corporate Office

Corporate Headquarters
265 Franklin Street, Boston
617.897.1008

Eastern Bank Offices as of February 1, 2019

<u>Eastern Insurance Group Offices</u>

Acton
133 Great Road

Amesbury
34 Market Street

Andover
60 Main Street

Brockton
500 Forest Avenue

Danvers
21 Maple Street

Duxbury
33 Enterprise Street

Gloucester
4 Railroad Avenue

Hyannis
375 Iyannough Road

Hyannis
641 Main Street

Keene, NH
372 West Street

Lakeville
45 Main Street

Leominster
285 Central Street

Marshfield
933 Webster Street

Natick
233 West Central Street

Newburyport
65 Parker Street

Newton
1149 Washington Street

Northborough
155 Otis Street

North Dartmouth
439 State Road

Norwell
77 Accord Park Drive

Providence, RI
42 Weybosset Street

Quincy
382 Quincy Avenue

Sturbridge
139 Main Street

Wakefield
100 Quannapowitt Pkwy

West Plymouth
71 Carver Road

Westwood
190 Washington Street

Wrentham
78 South Street

Corporate Office
Corporate Headquarters
233 West Central St., Natick
800.333.7234

Eastern Insurance Group Offices as of February 1, 2019

Eastern Bank Corporation
265 Franklin Street
Boston, MA 02110
1.800.EASTERN
www.easternbank.com