



Meridian Interstate Bancorp, Inc., Reports Results for the Quarter Ended March 31, 2008

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Meridian Interstate Bancorp, Inc. (the “Company” or “Meridian”) (NASDAQ: EBSB), the holding company for East Boston Savings Bank, (the “Bank”), announced a net loss of \$321,000 for the quarter ended March 31, 2008, compared to net income of \$1.8 million for the quarter ended March 31, 2007. The 2008 net loss resulted from a \$3.0 million pre-tax contribution of stock to the Company’s charitable foundation, which was made as part of the Company’s minority stock offering, completed on January 22, 2008.

As a result of the offering, the Company has 23,000,000 shares outstanding, including 10,050,000 shares of common stock sold at a price of \$10.00 per share, (including shares sold to the Company’s employee stock ownership plan), 300,000 shares contributed to the Meridian Charitable Foundation, Inc. and 12,650,000 shares issued to the Company's mutual holding company parent, Meridian Financial Services, Incorporated. Earnings per share information is not applicable for the quarter ended March 31, 2008, as shares were not outstanding for the entire quarter.

Richard Gavegnano, Meridian’s CEO commented, "Our recently completed stock offering will enable the Company to capitalize on local market opportunities. We remain focused on investing in our franchise despite difficult economic and market conditions." Gavegnano added, "In 2008, we will continue to focus on customer service, loan growth, asset and credit quality, earnings diversification, and investing in our future."

Results of Operations

Net interest income for the quarter ended March 31, 2008 was \$5.8 million, an increase of \$535,000, or 10.1%, from the quarter ended March 31, 2007. An increase in interest earned on the loan portfolio and lower borrowing costs were partially offset by an increase in the average balance and cost of deposits.

The Company’s net interest margin was 2.43% and 2.58% for the quarters ended March 31, 2008 and 2007, respectively. An increase in the balance of lower yielding federal funds sold as a result of cash received in the stock offering and an increase in the average balance of higher costing deposits resulted in the margin compression.

Interest income on the securities portfolio decreased \$159,000, or 5.2%, from \$3.0 million to \$2.9 million, mainly due to lower average balances in 2008. The average balance decrease was partially offset by an increase in the yield from 4.38% to 4.45% for the first quarters of 2007 and 2008, respectively.

Strong growth in the loan portfolio throughout 2007 impacted interest earned, as the average loan balance increased \$30.2 million, from \$537.6 million for the quarter ended March 31, 2007, to \$567.8 million for the quarter ended March 31, 2008. Loan interest income increased \$511,000, to \$9.2 million, and loan yields of 6.50% and 6.54% were earned during the quarters ended March 31, 2008 and 2007, respectively.

The Company experienced an increase in the average balance of deposits, particularly certificates of deposit and money market accounts, which increased due to promotional rates on these products throughout 2007. Certificates of deposit with the promotional rates matured during the first quarter of 2008, and the money market account promotional rates have also ended as of March 31, 2008. The average rate paid on certificates of deposit increased slightly due to these promotions, and interest expense on deposits increased by \$795,000, or 13.0%.

The Company experienced a decrease in the average balance and cost of borrowings by utilizing security pay-downs, deposit growth and stock offering proceeds to repay maturing borrowings. Average

outstanding borrowings declined from \$40.4 million for the quarter ended March 31, 2007 to \$35.9 million for the quarter ended March 31, 2008, and the rate paid decreased from 4.78% to 4.19%.

Non-interest income for the first quarter of 2008 was \$3.2 million, an increase of \$240,000, or 8.2%, compared to the first quarter of 2007. Customer service fees increased \$59,000, or 9.3% to \$696,000, as a result of increased transaction account balances and management's continued focus on earnings diversification. Bank-owned life insurance income increased \$23,000, or 14.2% due to increased interest rates earned on the policies. The net loss on the investment in our affiliate bank, Hampshire First Bank, was \$168,000, an increase of \$85,000, or 102.4% due to the establishment of two additional branches in accordance with Hampshire First Bank's business plan. The Company also recorded net gains on sales of securities of \$2.3 million and \$2.0 million for the quarters ended March 31, 2008 and 2007, respectively.

Non-interest expenses increased \$3.8 million, from \$5.5 million to \$9.3 million for the quarters ended March 31, 2007, and 2008, respectively. The increase was mainly due to the \$3.0 million contribution to the Company's charitable foundation. Salary and employee benefit costs increased from \$3.7 million to \$4.1 million, or 9.5%, as a result of the opening of the Lynn branch in mid-2007, modest salary increases, and additional expense incurred as the result of the transition from a mutual to a public company. Occupancy and equipment expense increased \$78,000, or 11.1% as a result of the new Lynn branch and increased utility costs. Professional service fees increased \$154,000 primarily due to stock market fees and legal expenses related to being a public company. Marketing expense was \$246,000, an increase of \$106,000 from 2007, as the Company utilized radio media to promote the availability of commercial and residential mortgage credit in its local market area.

Credit Quality

Based on our evaluation of loan loss factors, management made provisions for loan losses of \$131,000 and \$72,000 for the quarters ended March 31, 2008 and 2007, respectively. The allowance for loan losses was \$3.8 million, or 0.64% of total loans outstanding as of March 31, 2008, as compared to \$3.6 million, or 0.63% of total loans outstanding as of December 31, 2007. The increase in the balance of the allowance for loan losses is due to growth in the loan portfolio and management's ongoing analysis of loan loss factors. The Company continues to assess the adequacy of its allowance for loan losses in accordance with established policies. Management believes that the increase in the loan loss provision is appropriate considering the growth of the loan portfolio, local market conditions and the overall economic environment.

The percentage of non-performing assets to total assets was 39 basis points at March 31, 2008, compared to 55 basis points at December 31, 2007. Non-performing assets, which totaled \$4.1 million at March 31, 2008, included three foreclosed residential properties totaling \$1.2 million, residential mortgage loans of \$987,000, commercial real estate loans of \$1.6 million, and construction loans of \$335,000.

Balance Sheet

The Company's total assets increased by \$50.6 million, or 5.0%, from \$1.0 billion at December 31, 2007 to \$1.05 billion at March 31, 2008. Cash and equivalents increased by \$49.9 million as a portion of the funds received in the stock offering remain invested in federal funds. Net loans increased by \$11.3 million, or 2.0%, while securities available for sale decreased \$14.0 million, or 5.2%, due to sales, maturities and amortization of the portfolio. Deposit balances increased by \$31.1 million, or 4.0%.

Overall loan demand remained strong in the first quarter of 2008. Growth in total real estate loans was \$10.0 million, or 1.8%, including increases of \$6.8 million, or 3.0%, in one- to four-family real estate loans. The Company has experienced increased activity in this loan category in 2008. An increase in commercial real estate loans of \$15.2 million, or 8.7%, was offset by a decrease in the balance of construction loans of \$12.6 million, due to the transfer to the real estate portfolio upon project completion. Commercial business loans increased by \$1.5 million, or 12.8%, as the Company continues to develop this portfolio.

"The Company continues to pursue loan growth while closely monitoring underwriting standards and credit quality", noted Mr. Gavegnano. "We believe the Company has an opportunity as a well-capitalized

local community bank to further grow the loan portfolio, especially in light of the credit issues and tightening of available funds in the wider economy.”

Deposits increased by \$31.1 million, or 4.0%, as customers are showing a preference for insured deposit accounts, despite the end of our offering promotional market pricing. Interest-bearing checking deposits increased by \$3.5 million, or 10.3%, to \$37.1 million at March 31, 2008. Certificates of deposit also increased by \$23.2 million, to \$455.1 million, despite the end of our offering promotional rates on this category. Federal Home Loan Bank of Boston borrowings declined \$6.3 million, to \$30.2 million, as the Company elected to delay replacing maturing debt due to the increase in deposit balances, maturing securities and stock offering proceeds.

Stockholders' equity increased by \$87.8 million, to \$203.5 million at March 31, 2008 from \$115.7 million at December 31, 2007, mainly due to the stock offering.

Forward Looking Statements

Certain statements herein constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may be identified by words such as “believes,” “will,” “expects,” “project,” “may,” “could,” “developments,” “strategic,” “launching,” “opportunities,” “anticipates,” “estimates,” “intends,” “plans,” “targets” and similar expressions. These statements are based upon the current beliefs and expectations of Meridian Interstate Bancorp, Inc.’s management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements as a result of numerous factors. Factors that could cause such differences to exist include, but are not limited to, general economic conditions, changes in interest rates, regulatory considerations, and competition and the risk factors described in the Company’s November 13, 2007 prospectus. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, Meridian Interstate Bancorp, Inc.’s actual results could differ materially from those discussed. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release.

| MERIDIAN INTERSTATE BANCORP, INC. AND SUBSIDIARIES | | | |
|--|---------------------|--|---------------------|
| Consolidated Balance Sheets | | | |
| (Unaudited) | | | |
| | March 31, | | December 31, |
| <i>(In thousands)</i> | 2008 | | 2007 |
| ASSETS | | | |
| Cash and due from banks | \$ 11,583 | | \$ 11,821 |
| Federal funds sold | 141,364 | | 91,272 |
| Total cash and cash equivalents | 152,947 | | 103,093 |
| Securities available for sale, at fair value | 253,045 | | 267,058 |
| Federal Home Loan Bank stock, at cost | 3,164 | | 3,165 |
| Loans | 583,168 | | 571,741 |
| Less allowance for loan losses | (3,768) | | (3,637) |
| Loans, net | 579,400 | | 568,104 |
| Bank-owned life insurance | 22,188 | | 18,003 |
| Investment in affiliate bank | 10,604 | | 10,772 |
| Premises and equipment, net | 22,629 | | 22,816 |
| Accrued interest receivable | 5,250 | | 5,764 |
| Other assets | 4,614 | | 4,451 |
| Total assets | <u>\$ 1,053,841</u> | | <u>\$ 1,003,226</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Deposits: | | | |
| Non interest-bearing | \$ 53,499 | | \$ 51,396 |
| Interest-bearing | 752,095 | | 723,050 |
| Total deposits | 805,594 | | 774,446 |
| Stock subscriptions | - | | 62,518 |
| Short-term borrowings | 9,154 | | 9,154 |
| Long-term debt | 21,073 | | 27,373 |
| Accrued expenses and other liabilities | 14,555 | | 14,051 |
| Total liabilities | 850,376 | | 887,542 |
| Stockholders' Equity: | | | |
| Common stock, no par value 50,000,000 shares authorized; 23,000,000 and 0 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively | - | | - |
| Additional paid-in capital | 100,628 | | - |
| Retained earnings | 107,214 | | 109,177 |
| Accumulated other comprehensive income | 3,799 | | 6,507 |
| Unearned compensation - ESOP, 817,650 shares and 0 shares at March 31, 2008 and December 31, 2007, respectively | (8,176) | | - |
| Total stockholders' equity | 203,465 | | 115,684 |
| Total liabilities and stockholders' equity | <u>\$ 1,053,841</u> | | <u>\$ 1,003,226</u> |

| MERIDIAN INTERSTATE BANCORP, INC. AND SUBSIDIARIES | | |
|---|---------------------------|-------------|
| Consolidated Statements of Operations | | |
| (Unaudited) | | |
| | Three Months Ended | |
| | March 31, | |
| <i>(In thousands)</i> | 2008 | 2007 |
| Interest and dividend income: | | |
| Interest and fees on loans | \$ 9,183 | \$ 8,672 |
| Interest on debt securities | 2,612 | 2,757 |
| Dividends on equity securities | 265 | 279 |
| Interest on federal funds sold | 1,063 | 187 |
| Total interest and dividend income | 13,123 | 11,895 |
| Interest expense: | | |
| Interest on deposits | 6,911 | 6,116 |
| Interest on short-term borrowings | 62 | 89 |
| Interest on long-term debt | 312 | 387 |
| Total interest expense | 7,285 | 6,592 |
| Net interest income | 5,838 | 5,303 |
| Provision for loan losses | 131 | 72 |
| Net interest income, after provision for loan losses | 5,707 | 5,231 |
| Non-interest income: | | |
| Customer service fees | 696 | 637 |
| Loan fees | 178 | 171 |
| Gain on sales of loans, net | 19 | 17 |
| Gain on sales of securities, net | 2,266 | 2,032 |
| Income from bank-owned life insurance | 185 | 162 |
| Equity loss on investment in affiliate bank | (168) | (83) |
| Total non-interest income | 3,176 | 2,936 |
| Non-interest expenses: | | |
| Salaries and employee benefits | 4,092 | 3,736 |
| Occupancy and equipment | 780 | 702 |
| Data processing | 387 | 363 |
| Marketing | 246 | 140 |
| Professional services | 309 | 155 |
| Contribution to the Meridian Charitable Foundation | 3,000 | - |
| Other general and administrative | 498 | 440 |
| Total non-interest expenses | 9,312 | 5,536 |
| Income (loss) before income taxes | (429) | 2,631 |
| Provision (benefit) for income taxes | (108) | 836 |
| Net income (loss) | \$ (321) | \$ 1,795 |

| MERIDIAN INTERSTATE BANCORP, INC. AND SUBSIDIARIES | | | | | | |
|---|----------------------------|---------------------------------|----------------------------|----------------------------|---------------------------------|----------------------------|
| Net Interest Income Analysis | | | | | | |
| (Unaudited) | | | | | | |
| For The Three Months Ended March 31, | | | | | | |
| 2008 | | | | 2007 | | |
| <i>(Dollars in thousands)</i> | Average Balance | Interest Earned/Paid | Yield/ Cost (4) | Average Balance | Interest Earned/Paid | Yield/ Cost (4) |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans (1) | \$ 567,832 | \$ 9,183 | 6.50 % | \$ 537,640 | \$ 8,672 | 6.54 % |
| Securities | 259,907 | 2,877 | 4.45 | 281,120 | 3,036 | 4.38 |
| Other interest-earning assets | 138,471 | 1,063 | 3.09 | 14,342 | 187 | 5.28 |
| Total interest-earning assets | 966,210 | 13,123 | 5.46 | 833,102 | 11,895 | 5.79 |
| Noninterest-earning assets | 74,585 | | | 66,576 | | |
| Total assets | <u>\$ 1,040,795</u> | | | <u>\$ 899,678</u> | | |
| Liabilities and stockholders' equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW deposits | \$ 37,511 | \$ 68 | 0.72 % | \$ 37,671 | \$ 28 | 0.30 % |
| Money market deposits | 140,123 | 1,153 | 3.30 | 98,450 | 817 | 3.37 |
| Regular and other deposits | 145,970 | 395 | 1.09 | 130,960 | 378 | 1.17 |
| Certificates of deposit | 445,869 | 5,295 | 4.78 | 420,780 | 4,893 | 4.72 |
| Total interest-bearing deposits | 769,473 | 6,911 | 3.61 | 687,861 | 6,116 | 3.61 |
| FHLB advances | 35,913 | 374 | 4.19 | 40,378 | 476 | 4.78 |
| Total interest-bearing liabilities | 805,386 | 7,285 | 3.64 | 728,239 | 6,592 | 3.67 |
| Noninterest-bearing demand deposits | 51,801 | | | 52,309 | | |
| Other noninterest-bearing liabilities | 24,033 | | | 8,237 | | |
| Total liabilities | 881,220 | | | 788,785 | | |
| Total stockholders' equity | 159,575 | | | 110,893 | | |
| Total liabilities and stockholders' equity | <u>\$ 1,040,795</u> | | | <u>\$ 899,678</u> | | |
| Net interest income | | <u>\$ 5,838</u> | | | <u>\$ 5,303</u> | |
| Interest rate spread (2) | | | 1.82 % | | | 2.12 % |
| Net interest margin (3) | | | 2.43 % | | | 2.58 % |
| Average interest-earning assets to average interest-bearing liabilities | | 119.97% | | | 114.40% | |
| (1) Loans on non accrual status are included in average balances. | | | | | | |
| (2) Interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities. | | | | | | |
| (3) Net interest margin represents net interest income divided by average interest-earning assets. | | | | | | |
| (4) Yields are annualized. | | | | | | |

| MERIDIAN INTERSTATE BANCORP, INC. AND SUBSIDIARIES | | | | |
|--|---------------------------|--|-------------|--|
| Financial Ratios | | | | |
| (Unaudited) | | | | |
| | Three Months Ended | | | |
| | March 31, | | | |
| | 2008 | | 2007 | |
| Key Performance Ratios | | | | |
| Return on average assets | (0.03) % | | 0.20 % | |
| Return on average equity | (0.20) | | 1.62 | |
| Interest rate spread (1) | 1.82 | | 2.12 | |
| Net interest margin (2) | 2.43 | | 2.58 | |
| Noninterest expense to average assets | 0.89 | | 0.62 | |
| Efficiency ratio (3) | 103.31 | | 67.19 | |
| Average interest-earning assets to average interest-bearing liabilities | 119.97 | | 114.40 | |
| Capital Ratios | | | | |
| Average equity to average assets | 15.33 | | 12.33 | |
| (1) Interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities. | | | | |
| (2) Net interest margin represents net interest income divided by average interest-earning assets. | | | | |
| (3) The efficiency ratio represents non-interest expense, including the Company's contribution to the Meridian Charitable Foundation, divided by the sum of net interest income before loan loss provision plus non-interest income. | | | | |
| Return on average assets | -0.03% | | 0.20% | |
| Return on average equity | -0.20% | | 1.62% | |

| | At | At | At |
|--|---------------------|----------------------|---------------------|
| | March 31, | December 31, | March 31, |
| | 2008 | 2007 | 2007 |
| Asset Quality Ratios | | | |
| Allowance for loan losses/total loans | 0.64 % | 0.63 % | 0.63 % |
| Allowance for loan losses/ nonperforming loans | 127.95 | 73.00 | 55.10 |
| Non-performing loans/total loans | 0.50 | 0.87 | 1.15 |
| Non-performing loans/total assets | 0.28 | 0.50 | 0.69 |
| Non-performing assets /total assets | 0.39 | 0.55 | 0.69 |
| | Three Months | Twelve Months | Three Months |
| | Ended March | Ended | Ended March |
| | 31, 2008 | December 31, | 31, 2007 |
| Net charge-offs (recovery)/ average loans outstanding | 0.00 | 0.03 | 0.00 |