

**PUBLIC DISCLOSURE**

April 10, 2006

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**THE BANK OF CANTON**

**557 WASHINGTON STREET**

**CANTON, MA 02021**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **The Bank of Canton (or the “Bank”)**, prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated “High Satisfactory”**

This is the Bank’s first examination under the Intermediate Small Bank Procedures. A summary of the Bank’s performance is provided below.

The rating of this institution is based upon the result of a review under the Lending and the Community Development Tests, as shown below in the public evaluation. Based on the Intermediate Small Bank Procedures for institutions with assets over \$250 million but under \$1 billion, The Bank of Canton achieved a High Satisfactory performance under each of these tests.

#### ***Lending Test***

The Bank’s average net loan to deposit ratio is more than reasonable given the institution’s size, financial condition and assessment area’s credit needs. Net loans and deposits have increased significantly since the previous examination as did the asset size of the institution. Lending levels reflect very good responsiveness to the assessment area’s credit needs. A majority of the Bank’s residential real estate and small business loans were originated within the assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Residential real estate loans and small business loans were fairly distributed among retail customers of different income levels and businesses of different sizes.

#### ***Community Development Test***

The Bank’s community development performance demonstrates a good responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services. The Bank has made a reasonable level of community development loans in the assessment area. The Bank has a good level of qualified community development investments and grants demonstrating a good responsiveness to the area’s economic development needs. The Bank has provided a high level of community development services.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

The Bank of Canton is a Massachusetts chartered stock savings bank that opened for business in 1835. The Bank operated as a mutually-owned savings bank until March 2004 when it reorganized into a mutual holding company structure. This reorganization was undertaken to facilitate and support the growth of the Bank. Ponkapoag Bancorp, MHC, a Massachusetts mutual holding company, is the Bank's parent holding company. The Bank's main office is located at 557 Washington Street in Canton and its corporate headquarters is located at 490 Turnpike Street in Canton. In addition to its main office, The Bank of Canton operates five full-service branches. These offices are located in the City of Quincy, and the Towns of Brookline, Canton, Randolph, and Hyannis. The Bank's Hyannis office is located in a low-income census tract, while the remaining offices are located in middle and upper-income census tracts.

Since the previous CRA examination conducted by the Federal Deposit Insurance Corporation ("FDIC") dated August 11, 2004, the Bank's assets increased from \$323 million to approximately \$721 million, or 123 percent. Net loans currently account for 73.5 percent of total assets.

The Bank of Canton is engaged almost exclusively in residential mortgage lending. As of December 31, 2005, loans secured by first and subordinate liens on one-to-four family residential properties, including residential construction loans, accounted for 61.8 percent of its total loan portfolio. The Bank is also engaged in commercial real estate lending as 28.6 percent of the portfolio is secured by commercial loans; followed by multi-family residential loans at 5.7 percent; and commercial and industrial loans with 3.4 percent of the loan portfolio. The following table provides information regarding the distribution of these loans.

<b>Loan Portfolio Distribution as of December 31, 2005</b>		
<b>Loan Type</b>	<b>Dollar Volume (000)</b>	<b>Percentage of Total Loans</b>
Construction and Land Development	138,285	25.6%
Secured by Farmland	0	0.0%
Revolving Open-end 1-4 Family Residential	20,992	3.9%
Closed-end 1-4 Family Residential First Lien	165,612	30.6%
Closed-end 1-4 Family Residential Junior Lien	9,321	1.7%
Multi-family Residential	30,773	5.7%
Commercial Real Estate	155,048	28.6%
<b>Total Real Estate Secured</b>	<b>520,031</b>	<b>96.1%</b>
Loans to Finance Agricultural Production	0	0.0%
Commercial and Industrial Loans	18,205	3.4%
Consumer Credit Cards	896	0.2%
Other Consumer Revolving Loans	0	0.0%
Closed-end Consumer Loans	2,045	0.3%
Obligations of States and Political Subdivisions	0	0.0%
Other Loans	0	0.0%
<b>Total Loans</b>	<b>541,177</b>	<b>100.0%</b>

*Source: Bank of Canton's - December 31, 2005 Consolidated Report of Condition*

## **PERFORMANCE CONTEXT (CONTINUED)**

In addition to the loans originated for its own portfolio, the Bank also originates residential mortgages that are sold on the secondary market. This practice permits a lender to originate a higher volume of loans. Over the two year period under review, (2004 and 2005), the Bank sold 1,084 residential mortgages on the secondary market totaling \$259,484,673. The Bank's secondary market capabilities provide management with the ability to offer a wide array of credit products suitable to the needs of creditworthy homebuyers and homeowners in all income ranges.

The last FDIC CRA examination dated August 11, 2004, resulted in an overall rating of "Satisfactory." The Division's last examination conducted as of November 21, 2002 also resulted in a "Satisfactory" rating.

There are no significant financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, its product offerings, and branch network; its ability to meet the assessment area's credit needs remains very strong.

### **Description of Assessment Area**

CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas ("MSA"s) for statistical reporting purposes by federal agencies. The Bank's current assessment area contains 34 cities and towns located in the Cambridge-Newton-Framingham MA Metropolitan Division ("MD"), the Boston-Quincy MA MD, and the Providence-Fall River MA MD.

The assessment area contains 183 census tracts: 3 low-income (1.6 percent); 14 moderate-income (7.7 percent); 91 middle-income (49.7 percent); and 75 upper-income (41.0 percent).

The following data provides demographic and economic information pertaining to the Bank's assessment area:

Housing information obtained from CRA WIZ, based on 2000 census data for the assessment area, indicated that there are 370,162 housing units, of which 66.6 percent are owner-occupied. Refer to the following table for more information.

<b><i>Selected Housing Characteristics by Income Category of the Geography</i></b>							
<b><i>Geographic Income Category</i></b>	<b><i>Percentage</i></b>						<b><i>Median Home Value</i></b>
	<b><i>Census Tracts</i></b>	<b><i>Households</i></b>	<b><i>Housing Units</i></b>	<b><i>Owner- Occupied</i></b>	<b><i>Rental Units</i></b>	<b><i>Vacant Units</i></b>	
<b><i>Low</i></b>	1.6%	0.9%	0.9%	0.3%	2.2%	1.8%	\$142,399
<b><i>Moderate</i></b>	7.7%	7.2%	7.2%	4.4%	13.6%	7.8%	\$134,694
<b><i>Middle</i></b>	49.7%	49.8%	50.1%	48.9%	51.7%	57.3%	\$185,138
<b><i>Upper</i></b>	41.0%	42.1%	41.8%	46.4%	32.5%	33.1%	\$308,089
<b><i>Total or Median</i></b>	<b><i>100.0%</i></b>	<b><i>100.0%</i></b>	<b><i>100.0%</i></b>	<b><i>100.0%</i></b>	<b><i>100.0%</i></b>	<b><i>100.0%</i></b>	<b><i>\$232,459</i></b>

Source: U.S. Census

## **PERFORMANCE CONTEXT (CONTINUED)**

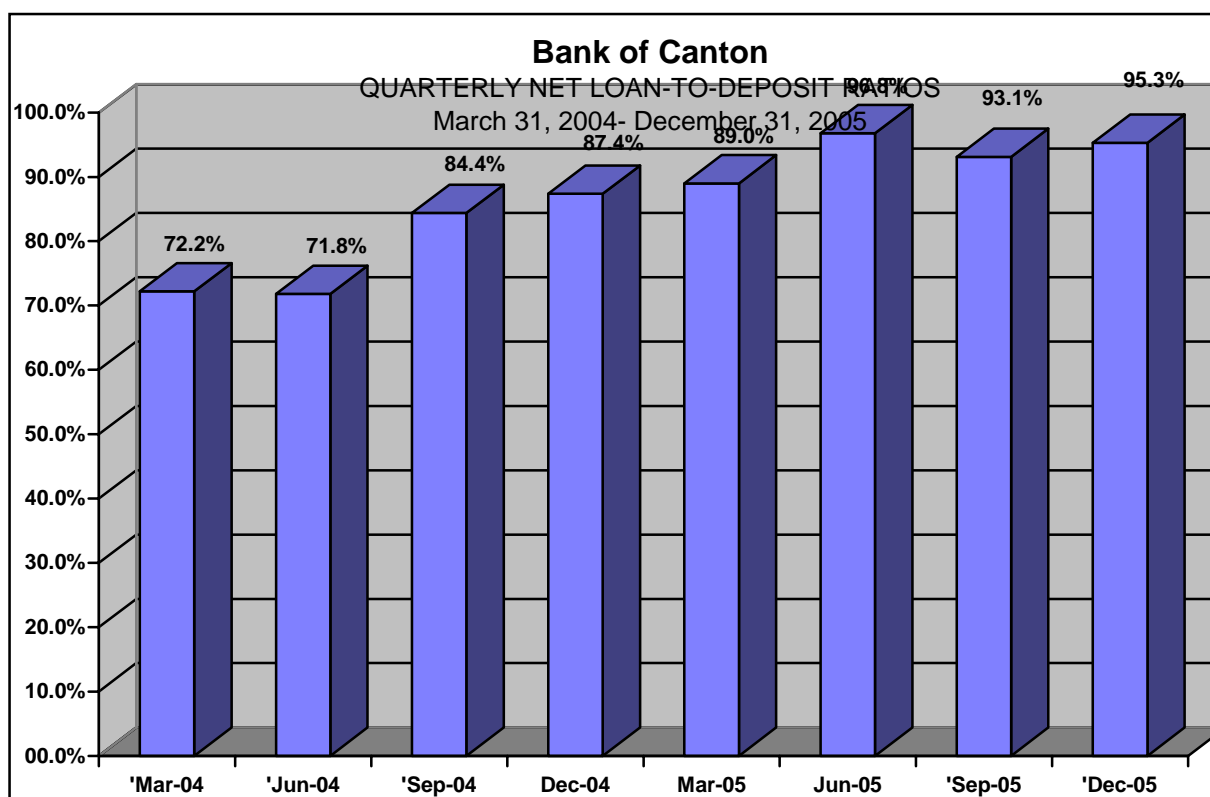
The Bank operates in a highly competitive market in terms of financial service providers. For 2004, there were 555 other lenders who granted at least one mortgage loan in the Bank's assessment area.

The assessment area has no one primary credit need. The area's residents need a variety of consumer loan products to meet personal needs and an array of home financing programs for the purchase, construction, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

## PERFORMANCE CRITERIA

### 1. LOAN TO DEPOSIT ANALYSIS

A comparative analysis of The Bank of Canton's quarterly net loan-to-deposit ratios for the period of March 31, 2004 through December 31, 2005, was conducted during this examination. Using the Bank's quarterly Call Reports, the average net loan-to-deposit ratio for this period was 86.3 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The following graph is provided for further analysis.



The net loan to deposit ratio stood at 95.3 percent as of December 31, 2005. A comparison of the dollar amount for the Bank's loans and deposits as of March 31, 2004 was compared to that of December 31, 2005. This comparison revealed that deposits have increased by 25.9 percent, while net loans for the same period increased by 66.1 percent.

### 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

#### ***HMDA Loans:***

The Bank of Canton's 2004 and 2005 Home Mortgage Disclosure Act ("HMDA") Loan Application Registers ("LAR"s) were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 1,470 HMDA-reportable loans totaling approximately \$418,691,000. Of these loans, 868 or 59.0 percent were originated inside the Bank's assessment area totaling \$210,321,000.

## **PERFORMANCE CRITERIA (CONTINUED)**

Refer to the following table for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

<b>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</b>								
<b>Year</b>	<b>Inside</b>				<b>Outside</b>			
	<b>Number of Loans</b>		<b>Dollar in Loans (000s)</b>		<b>Number of Loans</b>		<b>Dollars in Loans (000s)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2004</b>	424	61.8%	98,601	53.6%	262	38.2%	85,408	46.4%
<b>2005</b>	444	56.6%	111,720	47.6%	340	43.4%	122,962	52.4%
<b>Total</b>	868	59.0%	210,321	50.2%	602	41.0%	208,370	49.8%

Source: 2004/2005 HMDA DATA

As indicated in the table above, a majority of the Bank's HMDA reportable loans originated during the examination period were inside the Bank's assessment area. The number of loans has increased by 14.3 percent from 2004 to 2005. This increase is due primarily to new branches being opened as well as additional originators being employed by the Bank. The Bank's HMDA-reportable lending has increased during a time when many other lenders have shown a decline in lending. Demand for home loans remained strong despite a higher interest rate environment.

As mentioned in the performance context, there were 555 HMDA-reportable lenders throughout The Bank of Canton's assessment area during 2004. The top three lenders within the assessment area were Countrywide Home Loans, Washington Mutual Bank, FA, and GMAC Mortgage Corporation.

### ***Small Business Loans***

The Bank of Canton's 2004 and 2005 Small Business Loan Registers (SBLRs) were reviewed to determine the amount of business credit extended within the Bank's assessment area. During this period, the Bank originated 370 small business loans totaling \$83,449,000. Of these loans, 276 or 74.6 percent were originated inside the Bank's assessment area totaling \$56,905,000 or 68.2 percent of the total dollar amount.

Refer to the following table for additional information regarding the Bank's small business lending, by both number and dollar volume.

<b>Distribution of Small Business Loans Inside and Outside of the Assessment Area</b>								
<b>Year</b>	<b>Inside</b>				<b>Outside</b>			
	<b>Number of Loans</b>		<b>Dollar in Loans</b>		<b>Number of Loans</b>		<b>Dollars in Loans</b>	
	<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>
<b>2004</b>	126	77.3%	23,350	67.9%	37	22.7%	11,020	32.1%
<b>2005</b>	150	72.5%	33,555	68.4%	57	27.5%	15,524	31.6%
<b>Total</b>	276	74.6%	56,905	68.2%	94	25.4%	26,544	31.8%

Source: 2004/2005 CRA DATA

## **PERFORMANCE CRITERIA (CONTINUED)**

As indicated in the table above, a majority of the Bank's small business loans originated during the examination period were inside the Bank's assessment area. The number of small business loans has increased by 27.0 percent from 2004 to 2005. This is attributed to its expanding branch network and its on-the-road commercial lenders.

### **3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS**

#### ***HMDA Loans***

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes for 2004 and 2005 were compared to the median family incomes for the Cambridge-Newton-Framingham MA MD, the Boston-Quincy MA MD, and the Providence-Fall River MA MD. The income figures are based on estimated information issued by the US Department of Housing and Urban Development ("HUD").

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The distribution of the Bank's loans among various borrower income levels may be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2004.

The following table shows the Bank's distribution of loans among various income levels compared to other HMDA reportable lenders throughout the Bank's assessment area in 2004.

<b>Distribution of HMDA Reportable Loans – Assessment Area Bank of Canton Compared to All Other Reporters</b>								
<b>Median Family Income Level</b>	<b>Number of Loans</b>				<b>Dollar Amount of Loans</b>			
	<b>Bank of Canton</b>		<b>All Other Reporters</b>		<b>Bank of Canton</b>		<b>All Other Reporters</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
<b>Low</b>	27	6.4%	3,200	4.0%	2,929	3.0%	401,882	2.0%
<b>Moderate</b>	101	23.8%	13,832	17.4%	17,580	17.8%	2,444,464	12.4%
<b>Middle</b>	121	28.5%	21,037	26.6%	24,544	24.9%	4,536,221	23.1%
<b>Upper</b>	158	37.3%	28,813	36.2%	46,723	47.4%	8,833,716	44.9%
<b>NA</b>	17	4.0%	12,596	15.8%	6,825	6.9%	3,462,673	17.6%
<b>Total</b>	<b>424</b>	<b>100.0%</b>	<b>79,478</b>	<b>100.0%</b>	<b>98,601</b>	<b>100.0%</b>	<b>19,678,956</b>	<b>100.0%</b>

Source: HMDA\LAR 2004 HMDA Aggregate Data

## **PERFORMANCE CRITERIA (CONTINUED)**

As shown above, the Bank's percentage of lending to borrowers of low-income is above the aggregate by number and dollar amount for 2004. The Bank of Canton originated 6.4 percent by number and 3.0 percent by dollar amount of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 4.0 percent by number and 2.0 percent by dollar amount.

The Bank's HMDA reportable loans originated in 2004 to moderate-income borrowers accounted for 23.8 percent by number and 17.8 percent by dollar amount within the assessment area. Both number and dollar volume are also above the aggregates lending to moderate-income borrowers for 2004 as 17.4 percent by number and 12.4 percent by dollar volume of the aggregate's lending were originated to moderate-income borrowers.

### ***Small Business Loans***

The Bank has a reasonable distribution of small business loans to businesses of different revenue sizes. Refer to the following table for information related to small business lending for 2004 and 2005.

<b>Distribution of Small Business Loans by Business Revenue and Loan Size</b>								
Business Revenue	Bank Loans		Percent of Loans by Loan Size Category					
	#	%	\$100,000 and Less		Between \$100,000 and \$250,000		\$250,000 to \$1 million	
			#	%	#	%	#	%
\$1 Million and less	124	44.9%	68	47.2%	25	39.1%	31	45.6%
Over \$1 Million	147	53.3%	73	50.7%	39	60.9%	35	51.5%
Not reported	5	1.8%	3	2.1%	0	0.0%	2	2.9%
<b>Total</b>	<b>276</b>	<b>100.0</b>	<b>144</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>

As shown in the above table, the Bank originated 124 small business loans, or 44.9 percent of the total, to businesses with gross annual revenues of \$1 million or less. The Bank of Canton's record of lending to small businesses is reasonable given the composition of the assessment area.

## **4. GEOGRAPHIC DISTRIBUTION**

### ***HMDA Loans***

The Bank's residential loans located within the Bank's assessment area were analyzed to determine their location by census tract income level. The assessment area for 2004 and 2005 contained 183 census tracts. Refer to the Description of Assessment Area for a full breakdown of census tract information.

## PERFORMANCE CRITERIA

The following table provides a breakdown, by number and dollar amount, of the Bank's residential loans within its assessment area according to the census tract income level. The table also shows the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

### Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Owner-Occupied Units		2004		2005		Total	
	#	%	#	%	#	%	#	%
Low	832	0.4%	2	0.5%	3	0.7%	5	0.6%
Moderate	10,688	4.3%	15	3.5%	13	2.9%	28	3.2%
Middle	120,615	48.9%	232	54.7%	222	50.0%	454	52.3%
Upper	114,268	46.4%	175	41.3%	206	46.4%	381	43.9%
<b>Total</b>	<b>246,403</b>	<b>100.0%</b>	<b>424</b>	<b>100.0%</b>	<b>444</b>	<b>100.0%</b>	<b>868</b>	<b>100.0%</b>

Source: HMDA/LAR Data -1/1/04 to 12/31/05

In 2004 and 2005, the Bank extended 5 loans in low-income census tracts representing 0.6 percent of total loans within the assessment area. Additionally, the Bank extended 28 or 3.2 percent of its HMDA reportable loans throughout moderate-income census tracts in the assessment area.

The geographic distribution of the Bank's loans by census tract category may also be compared to that of all other HMDA reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2004 and is presented in the following table.

### Lending Within the Assessment Area by Census Tract Income Level The Bank of Canton Compared to All Other HMDA Reporters

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Bank of Canton		All Other Reporters		Bank of Canton		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	2	0.5%	457	0.6%	305	0.3%	91,645	0.5%
Moderate	15	3.5%	5,254	6.6%	4,312	4.4%	1,021,812	5.2%
Middle	232	54.7%	40,430	50.9%	49,535	50.2%	8,677,266	44.1%
Upper	175	41.3%	33,336	41.9%	44,450	45.1%	9,887,882	50.2%
<b>Total</b>	<b>424</b>	<b>100.0%</b>	<b>79,477</b>	<b>100.0%</b>	<b>111,720</b>	<b>100.0%</b>	<b>19,678,605</b>	<b>100.0%</b>

Source: HMDA/LAR Data for the period 1/1/04 to 12/31/04.

In 2004, the Bank extended 2 loans totaling \$305,000 in low-income census tracts representing 0.5 percent by number and 0.3 percent by dollar amount compared to the aggregate that extended 0.6 percent by number and 0.5 percent by dollar volume in low-income census tracts. Additionally, the Bank extended 15 loans within the moderate-income census tracts totaling \$4,312,000. The Bank's lending in moderate-income census tracts was below the aggregate in 2004.

## **PERFORMANCE CRITERIA (CONTINUED)**

### ***Small Business Loans***

The Bank of Canton's small business lending throughout its assessment area was reviewed by census tract income level. Refer to the following table for more information.

#### **Distribution of Small Business Loans Within the Assessment Area by Census Tract Level**

Census Tract Income Level	2004		2005		Total	
	#	%	#	%	#	%
Low	1	0.8%	2	1.3%	3	1.1%
Moderate	2	1.6%	4	2.7%	6	2.2%
Middle	62	49.2%	88	58.7%	150	54.3%
Upper	61	48.4%	56	37.3%	117	42.4%
<b>Total</b>	<b>126</b>	<b>100.0%</b>	<b>150</b>	<b>100.0%</b>	<b>276</b>	<b>100.0%</b>

Source: Small Business Data for the period 1/1/04 to 12/31/05

As shown in the above table, the Bank's small business lending in 2004 and 2005 was focused in middle and upper-income census tracts. This information correlates to the demographic make-up of the Bank's assessment area as approximately 90 percent of the census tracts consist of middle and upper-income geographies.

## **5. FAIR LENDING POLICES AND PRACTICES**

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to evaluate fair lending policies and procedures. A review was conducted for compliance with fair lending regulations and no evidence of disparate treatment was detected.

The Bank of Canton has a written Fair Lending Policy. Included in this policy are the Bank's efforts to eliminate discrimination in all aspects of lending, as well as to provide guidance to Bank employees on how to comply with fair lending policies and procedures. The Bank provides fair lending training to all employees at least annually. Management develops training programs that cover all aspects of the lending process.

The Bank of Canton markets its services and products to its community primarily through print advertisements.

### ***Minority Application Flow***

The Bank's LARs for 2004 and 2005 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the assessment area's demographics.

## **PERFORMANCE CRITERIA (CONTINUED)**

For the period reviewed, The Bank of Canton received 179 HMDA reportable mortgage applications from minority applicants within its assessment area. Of these 179 minority applications, 149 or 83.2 percent resulted in originations. Also included in the table is the 2004 aggregate data (exclusive of The Bank of Canton) in comparison to the Bank's data. The Bank's percentage of lending to minorities is higher than the aggregate. The aggregate originated 59.5 percent of its minority loans compared to the Bank at 83.2 percent. Refer to the following table for more information.

<b>MINORITY APPLICATION FLOW</b>								
<b>RACE</b>	<b>Bank 2004</b>		<b>2004 Aggregate Data</b>		<b>Bank 2005</b>		<b>Bank TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	423	0.4	1	0.2	1	0.1
Asian	80	15.3	3,813	3.2	56	9.7	136	12.4
Black/ African American	13	2.5	7,117	6.0	14	2.4	27	2.4
Hawaiian/Pac Isl.	0	0.0	240	0.2	0	0.0	0	0.0
2 or more Minority	0	0.0	62	0.1	0	0.0	0	0.0
Joint Race (White/Minority)	6	1.1	954	0.8	9	1.6	15	1.4
<b>Total Minority</b>	<b>99</b>	<b>18.9</b>	<b>12,609</b>	<b>10.7</b>	<b>80</b>	<b>13.9</b>	<b>179</b>	<b>16.3</b>
White	391	74.6	73,382	62.3	447	77.7	838	76.2
Race Not Available	34	6.5	31,736	27.0	48	8.4	82	7.5
<b>Total</b>	<b>524</b>	<b>100.0</b>	<b>117,727</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>	<b>1,099</b>	<b>100.0</b>
<b>ETHNICITY</b>								
Hispanic or Latino	4	0.8	2,740	2.3	3	0.5	7	0.6
Not Hispanic or Latino	432	82.4	73,693	62.6	516	89.7	948	86.3
Joint (Hisp/Lat /Not Hisp/Lat)	5	1.0	594	0.5	5	0.9	10	0.9
Ethnicity Not Available	83	15.8	40,700	34.6	51	8.9	134	12.2
<b>Total</b>	<b>524</b>	<b>100.0</b>	<b>117,727</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>	<b>1,099</b>	<b>100.0</b>

Source: US Census, HMDA LAR, HMDA Aggregate Data

## **COMMUNITY DEVELOPMENT TEST**

The Bank of Canton's community development performance demonstrates a good responsiveness to the community development needs of its assessment area. The Bank has met these community development needs through community development loans, qualified investments and grants, and community development services.

### **Community Development Loans**

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

## **PERFORMANCE CRITERIA (CONTINUED)**

The Bank of Canton originated 28 community development loans totaling \$26,268,763 during 2004 and 2005. Following is a sample of the loans funded:

During 2004, the Bank originated a \$1.1 million commercial real estate loan in support of a Chapter 40B project in Abington. The loan provided acquisition and construction financing for a 28 lot subdivision with 7 single family homes designated as affordable.

During 2004, the Bank originated a \$2.7 million commercial real estate loan in support of a Chapter 40B project in Pembroke. The loan provided acquisition and construction financing of a 40 unit townhouse, of which 10 were designated as affordable.

In 2004, the Bank originated a \$1 million short-term construction loan in Quincy to finance 16 condominium units of which two were designated as affordable. This is located in a moderate-income census tract.

During 2005, The Bank of Canton originated a \$1.8 million commercial construction loan in support of a development of 16 condominium units, of which two were designated as affordable.

During 2005, the Bank financed a \$2.1 million construction loan in support of a 15 unit condominium complex located in a moderate-income census tract in Brockton.

During 2005, The Bank of Canton financed a \$1.3 million construction loan for ten condominium units located in a moderate-income census tract in Brockton.

Also during the examination period, The Bank of Canton originated seven Small Business Administration ("SBA") loans totaling \$1.4 million. The SBA 504 loans have a community development purpose by definition since the loans must facilitate the creation or retention of a specific number of jobs.

### **Qualified Investments**

A qualified investment for the purposes of a CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered the investment and grant activity, responsiveness to community development needs and community development initiatives.

The Bank of Canton is responsive to community needs within its assessment area and the surrounding areas through its investment activities. Total qualified investments for this evaluation period include grants and donations as well as equity investments. Both types of investment activity support efforts to meet the needs of low- and moderate-income families and individuals by providing affordable housing, health care, family counseling, food pantries, and daycare services.

Overall, The Bank of Canton has demonstrated a very good level of grant and investment activity. Refer to the following for additional information.

## **PERFORMANCE CRITERIA (CONTINUED)**

### ***Fannie Mae Mortgage Backed Securities***

During 2004 and 2005, The Bank of Canton invested \$4,241,000 in FNMA CRA targeted mortgage-backed securities. These pools of loans, all of which were granted to low- and moderate-income borrowers or within low and moderate-income census tracts, are backed by the security interest in the real-estate. In addition, the remaining book value on existing investments was \$463,480 as of December 31, 2005.

### ***Grants/Donations***

Annual levels of qualified grants and donations were \$61,605 in 2004 and \$105,175 during 2005. An example of qualifying organizations to which grants and donations were made include: Consumer Credit Counseling; The Salvation Army, South Shore Elder Services; New England Shelter for Homeless Veterans; Neighborhood Housing Services; and South Shore Habitat for Humanity.

### **Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance.

The Bank of Canton provides a range of community development services that have resulted in a better-educated community, increased awareness of community needs, and contributed to the overall revitalization of the communities served. The Bank's officers and staff members provide a good level of qualified services, providing financial and/or technical expertise to a number of area organizations. The following are an example of The Bank of Canton's participation with various organizations:

- A Senior Vice President of the Bank serves on the Board member of the Canton Food Pantry
- The Bank of Canton's President serves on the fundraising committee for the Homeless Shelter for Veterans.
- An originator is a Board member of the Quincy Community Action Progress, Inc. and is also on the steering committee and on the Board of the Mayor's Fair Housing Committee.
- A Vice President of the Bank serves on the Board of Directors of the Neighborhood Housing Services and the Board of the Quincy 2000 Corporation.
- The Bank's Executive Vice President serves on the boards of many organizations, including Chairman of the Board of the Neponset Valley Chamber of Commerce, Board member of the Norwood Affordable Housing Committee, and the Board member of South Shore Economic Development Corporation.

## **PERFORMANCE CRITERIA (CONTINUED)**

In addition to serving on various committees, The Bank of Canton has conducted and participated in several seminars over the past two years designed to educate consumers about banking and products available to meet their specific needs as well a focus on small business lending. The Bank continues to host seminars regularly to better assist individuals and businesses throughout the assessment area.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 557 Washington Street in Canton, Massachusetts.

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.