

PUBLIC DISCLOSURE

November 10, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BANK OF EASTON, A CO-OPERATIVE BANK

26554

**275 WASHINGTON STREET
NORTH EASTON, MA. 02356**

**Division of Banks
1000 Washington Street, 10TH Floor
Boston, MA 02118**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, 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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

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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 the 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 agency 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 **Bank of Easton a Co-operative Bank (Bank of Easton or the Bank)** prepared by the Division, the institution's supervisory agency, as of **November 10, 2014**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. The assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION RATING

INSTITUTION'S CRA RATING:

This institution is rated “Satisfactory.”

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Based on the Bank's asset size, its CRA performance was evaluated using the *Interagency Small Institution Examination Procedures*, which consists of the following five performance criteria: Loan-to-Deposit (LTD) ratio; Assessment Area Concentration; Geographic Distribution; Borrower Profile; and Response to CRA Complaints and Fair Lending. A summary of the Bank's overall performance within each of the criteria is provided below:

- The Bank's average LTD ratio since the previous examination is reasonable. Over this period, the Bank's average loan to deposit ratio was 64.6 percent. The LTD ratio has varied from a low of 60.3 percent to a high of 68.1 percent.
- A majority of the Bank's residential loans were made inside the Bank's assessment area. For the entire period under review, 57.8 percent of the Bank's loans were originated inside the assessment area by number and approximately 52.9 percent by dollar volume.
- The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Bank's assessment area.
- The distribution of lending to borrowers reflected, given the demographics of the assessment area, adequate penetration among individuals of different income levels including low- and moderate-income.
- No CRA related complaints were received during the evaluation period

SCOPE OF EXAMINATION

This examination includes a review of the Bank's lending activities for the period of January 1, 2012 through August 31, 2014. Data and conclusions applicable to this evaluation are discussed under the five following performance criteria: loan to deposit analysis, comparison of credit extended inside and outside of the assessment area, distribution of credit among different income levels, geographic distribution of loans, and a review of CRA related complaints.

This evaluation emphasized all originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs) for 2012, 2013, and year to date (YTD) 2014 (January 1 through August 31). The LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 46 loans totaling \$8.8 million in 2012, 57 loans totaling \$11.5 million in 2013, and 25 loans totaling \$6 million in 2014. Examiners compared the Bank's 2013 home mortgage lending performance to the 2013 aggregate lending data. Aggregate data includes the lending activity within the Bank's assessment area of all institutions subject to HMDA reporting.

PERFORMANCE CONTEXT

Description of Institution

Bank of Easton, A Co-operative Bank is a Massachusetts state-chartered mutual cooperative financial institution located in Bristol County. Established as North Easton Co-operative Bank in 1889, the Bank became a member of the Federal Reserve Bank on September 28, 2004. The Bank operates two branch offices located in the greater Easton community including its main branch located on Washington Street in North Easton. Both of these branches are located in upper income census tracts.

As of September 30, 2014, the Bank has \$120.9 in total assets consisting principally of loans and securities. Total assets increased by approximately 17 percent since the last CRA evaluation dated October 5, 2010. This is consistent with the Bank's efforts to aggressively re-enter the mortgage lending market. As noted throughout the evaluation, lending volume was low throughout the evaluation period, and was a mitigating factor in reaching conclusions in comparison to aggregate performance based on percentages.

Table 1 – Loan Portfolio Distribution as of September 30, 2014		
Loan Type	Dollar Amount \$('000s)	Percent of Total Loans (%)
Loans Secured by Real Estate		
Construction, Land Development, and Other Land Loans	371	0.6
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	10,373	15.4
Closed-end Loans Secured by 1-4 Family Residential Properties by 1st Liens	51,687	77.0
Closed-end Loans Secured by 1-4 Family Residential Properties by Jr Liens	926	1.4
Secured by Nonfarm Nonresidential Properties	2,756	4.1
Commercial and Industrial	24	>0.0
Loan to Individuals for Household, Family, or Other Personal Expenditures	1,026	1.5
TOTAL LOANS	67,163	100.0

As seen in the data above, the Bank is primarily a residential real estate lender as close to 94 percent of the loan portfolio is secured by residential properties.

The prior CRA evaluation of the institution was conducted by the Division as of October 5, 2010 resulted in an overall rating of "Satisfactory." There are no apparent legal or financial impediments that would limit the ability of the Bank to meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires each financial institution to define an assessment area(s) within which its performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and

deposit-taking ATMs as well as the surrounding geographies in which the Bank originates a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries; (5) does not reflect illegal discrimination; (6) does not arbitrarily exclude low or moderate-income areas.

The Bank’s assessment area consists of four cities and towns: Easton, Mansfield, Norton, (all located in Bristol County) and Stoughton (located in Norfolk County). Both counties are part of the Providence-New Bedford-Fall River, RI-MA Metropolitan Statistic Area (MSA) and the Boston-Quincy, MA MSA.

Geographies

Based on the 2010 U.S. Census data, the assessment area contains 20 census tracts. Of those tracts, 2 or 10 percent are moderate-income, 8 or 40 percent are middle-income, and 10 or 50 percent are upper-income.

Population and Family Distribution

Based on the 2010 Census data, the total population of the assessment area is 92,289 persons. There are 32,476 households and 23,482 households that are families. The distribution of families by income level is as follows: 13.9 percent are low-income, 12.8 percent are moderate-income, 17.6 percent are middle-income, and 55.7 percent are upper-income. Additionally, 4.2 percent are considered to be below the poverty line. These families would most likely have difficulty qualifying for a home loan or supporting a monthly payment on the assessment area’s median home value of \$363,000.

Housing

There are 33,527 housing units in the assessment area. Of those housing units, 76.7 percent of are owner-occupied, 20.2 percent are renter-occupied, and 3.1 percent are vacant. Of all owner-occupied housing units in the assessment area, 4.9 percent are in moderate-income tracts while 43.7 percent are in middle-income tracts and 51.4 percent are in upper-income tracts. The high proportion of owner-occupied units in middle and upper-income tracts may be indicative of limited home mortgage lending opportunities within the two moderate-income tracts. Table 2 provides demographic and economic information pertaining to the assessment area’s housing characteristics by census tract income category.

Census Tract Income Category	Percentage						Median		
	Census Tracts	Families	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age	Home Value	Gross Rent*
Low		13.9							
Moderate	10.0	12.8	5.6	4.9	6.6	15.4	61	315,408	1,100
Middle	40.0	17.6	45.7	43.7	53.3	44.1	41	325,386	1,071
Upper	50.0	55.7	48.8	51.4	40.1	40.5	34	396,620	1,029
Total	100.0	100.0	100.0	100.0	100.0	100.0	39	363,399	1,056

Source: 2010 U.S. Census data: * - Based on Renter-Occuied Units

Unemployment

Unemployment rates within the assessment area have decreased since the prior exam. As of September 2014, The Bureau of Labor Statistics reported an unemployment rate of 6.8 percent

for the Easton region. As a comparison, the Massachusetts unemployment rate was 6.0 percent, while the United States unemployment rate was 5.8 percent.

Competition

The Bank of Easton operates in a competitive market in terms of financial services. There is competition for loans among numerous banks, credit unions, and non-depository mortgage lenders that operate in the area. In 2013, 264 institutions originated or purchased 4,682 HMDA-reportable residential mortgage loans within the assessment area. The Bank of Easton ranked 39th out of this group of lenders with a market share of 0.7 percent. In the Bank's assessment area, the top four lenders by count are Wells Fargo, JP Morgan Chase, HarborOne Bank, and US Bank, NA.

COMMUNITY CONTACT

As part of the evaluation process, third parties active in community affairs are generally contacted to assist in assessing the housing needs in the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and whether additional opportunities are available.

The organization contacted is responsible for the planning and development in the Town of Mansfield. While there are still parts of the town in need of housing revitalization, the community contact had a positive outlook on the development of the region as there are a number of new retail and housing spaces being built. The contact explained that the population of the region is aging and overall the elderly community in the town is well taken care of in terms of their housing needs.

The community contact expressed the desire for more community involvement from local financial institutions. The contact stated there is a need for more outreach by these financial institutions in the form of financial literacy courses and first time homebuyer seminars. The contact also believes the community would benefit from a more streamlined process for individuals seeking to qualify for affordable housing units. The community contact stressed that participation from local banks with a better knowledge of the areas needs would help in this area.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's average Loan-to-Deposit (LTD) ratio is adequate given the institution's size, financial condition, and assessment area credit needs.

The analysis encompassed data from the previous 17 quarters dating back to the last examination. The LTD ratio is based on total loans net of unearned income and net of allowance for loan and lease losses (ALLL) as a percentage of total deposits and is derived from the Federal Deposit Insurance Corporation Reports of Condition and Income (Call Reports). The quarters reviewed for this exam period were from September 30, 2010 to September 30, 2014. Over this period, the Bank's average loan to deposit ratio was 64.6 percent. The LTD ratio has varied from a low of 60.3 percent to a high of 68.1 percent.

A comparative analysis was conducted of the Bank's net LTD ratios to the ratios of three similarly situated Massachusetts-based financial institutions. The average ratios were calculated using the 17 quarterly Call Reports for each institution. The relevant data is shown in Table 3. The Bank of Easton's LTD ratio was lower than all three of its peer institutions.

Table 3 – Loan-to-Deposit Comparison		
Bank Name	Total Assets \$(‘000s) as of 09/30/14	Average Net LTD Ratio 09/30/10 – 09/30/14
Mansfield Co-Operative Bank	440,902	86.1
Stoughton Co-Operative Bank	97,625	82.8
North Easton Savings Bank	489,410	69.1
Bank of Easton	120,860	64.6

Source: September 30, 2010 through September 30, 2014 Call Reports

Loans total \$67.2 million as of September 30, 2014, and account for 55.6 percent of total assets. In discussions with management, it was discovered the low volume of loans was attributed to management's decision to slow its lending practices. For this reason, the Bank's LTD ratio is skewed as such.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

Lending performance was also evaluated by analyzing the percentage by number and dollar amount of residential loans extended inside and outside of the Bank's assessment area. As shown in Table 4, a majority of the Bank's residential loans were inside the assessment area. Using the HMDA information, 57.8 percent of the Bank's loans were originated inside the assessment area by number and approximately 52.9 percent by dollar volume.

Table 4 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type of Home Mortgage	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(‘000s)	%	\$(‘000s)	%	
2012										
Home Purchase	2	33.3	4	66.6	6	241	23.1	804	76.9	1,045
Refinance	22	61.1	14	38.9	36	4,067	57.0	3,071	43.0	7,138
Home Improvement	4	100.0	0	0.0	4	610	100.0	0	0.0	610
Total	28	60.9	18	39.1	46	4,918	55.9	3,875	44.1	8,793
2013										
Home Purchase	12	57.1	9	42.9	21	3,397	59.2	2,344	40.8	5,741
Refinance	21	58.3	15	41.7	36	3,032	52.6	2,733	47.4	5,765
Home Improvement	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Total	33	57.9	24	42.1	57	6,429	55.9	5,077	44.1	11,506
1/1/2014-8/31/2014										
Home Purchase	6	42.9	8	57.1	14	920	29.8	2,165	70.2	3,085
Refinance	5	55.6	4	44.4	9	1,215	48.5	1,288	51.5	2,503
Home Improvement	2	100.0	0	0.0	2	445	100.0	0	0.0	445
Total	13	52.0	12	48.0	25	2,580	42.8	3,453	57.2	6,033
Total Home Mortgage	74	57.8	54	42.2	128	13,927	52.9	12,405	47.1	26,332

There continues to be a declining trend in the Bank’s residential lending inside the assessment area.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The distributions of loans by borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of the area’s residents, particularly those of low or moderate-income relative to aggregate lending data and compared to assessment area demographics.

Table 5 – Distribution of Home Mortgage Loans by Borrower Income Level								
Income Level	% of Total Families	2013 Aggregate Lending Data (% of #)	2012 Bank		2013 Bank		2014 Bank YTD	
			#	%	#	%	#	%
Low	13.9	3.6	0	0.0	0	0.0	1	7.7
Moderate	12.8	14.2	3	10.7	7	21.2	1	7.7
Middle	17.6	25	7	25.0	8	24.2	0	0.0
Upper	55.7	53.9	18	64.3	18	54.5	11	84.6
N/A	0.0	3.3	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	28	100.0	33	100.0	13	100.0

The Bank did not make any loans to low-income borrowers in 2012 or 2013. The Bank did make one HMDA-reportable loan to a low-income borrower in 2014. However, given the Bank's low volume of lending, one loan to a low-income borrower would have been consistent with the aggregate lending.

The Bank's home mortgage originations compared favorably to the aggregate and the percentage of moderate-income families in the assessment area. The Bank originated 21.2 percent of its home mortgage loans to moderate-income borrowers in 2013 while the aggregate originated 14.2 percent. The YTD 2014 performance, however, shows a declining trend in both volume of lending and the proportion of lending to moderate-income borrowers. The majority of the Bank's lending was to upper-income borrowers and can be expected as 55.7 percent of the families in the assessment area are upper-income.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of residential loans by census tract income level was reviewed to determine the Bank's level of addressing the credit needs of all portions of the assessment area. Emphasis is generally placed on a lender's performance in the low and moderate-income census tracts in the assessment area.

Table 6 – Distribution of Home Mortgage Loans by Census Tract Income Level								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2013 Aggregate Lending Data (% of #)	2012 Bank		2013 Bank		2014 Bank	
			#	%	#	%	#	%
Moderate	4.9	3.2	0	0.0	1	3.0	0	0.0
Middle	43.7	43.9	7	25.0	10	30.3	5	38.5
Upper	51.4	52.9	21	75.0	22	66.7	8	61.5
Total	100.0	100.0	28	100.0	33	100.0	13	100.0

As stated in the Performance Context, the Bank of Easton's assessment area has no low-income census tracts. As shown in the above table, the Bank made one loan, in 2013 in the two moderate-income census tracts within its assessment area. The distribution of lending is comparable to the aggregate in 2013 which originated 3.2 percent. However, as stated earlier, the Bank's low loan volume has a large affect in the percentage of lending.

5. REVIEW OF CRA RELATED COMPLAINTS AND FAIR LENDING

During the evaluation period the Bank had no CRA related consumer complaints; however, examiners noted the Bank maintains adequate procedures to handle all incoming consumer complaints, including those related to its CRA performance.

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

A review of the Bank's public file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The Bank has a written loan policy that incorporates a statement of policy against discrimination. All mortgage loans are under-written to secondary market guidelines. The Bank has a second review for all denied home mortgage loans. The Bank provides annual fair lending training to all staff, including the Board of Directors.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of anti-discrimination laws and regulations were identified.

MINORITY APPLICATION FLOW

The Bank's residential lending was compared with the 2013 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the following table for information on the Bank's minority application flow as well as a comparison of the aggregate lenders throughout the Bank's assessment area.

The overall low level of applications received by the Bank makes meaningful comparison difficult as a minor increase or decrease results in a disproportionate change in percentage distribution.

Table 7 MINORITY APPLICATION FLOW					
RACE	Bank 2012		Bank 2013		2013 Aggregate Data
	#	%	#	%	%
American Indian/Alaska Native	0	0.0	0	0.0	0.2
Asian	0	0.0	0	0.0	2.6
Black/African-American	2	4.7	2	4.9	2.8
Hawaiian/Pac Isl.	0	0.0	0	0.0	0.0
2 or more Minority	0	0.0	0	0.0	0.0
Joint Race (White/Minority)	0	0.0	0	0.0	1.1
Total Minority	2	4.7	2	4.9	6.7
White	40	93.0	37	90.2	70.3
Race Not Available	1	2.3	2	4.9	23.0
Total	43	100.0	41	100.0	100.0
ETHNICITY					
Hispanic or Latino	0	0.0	0	0.0	1.3
Not Hispanic or Latino	42	97.7	36	87.8	75.2
Joint (Hisp/Lat/Not Hisp/Lat)	0	0.0	0	0.0	0.7
Ethnicity Not Available	1	2.3	5	12.2	22.8
Total	43	100.0	41	100.0	100.0

Source: 2012, 2013, 2014 HMDA LAR, 2013 HMDA Aggregate Data, 2010 U.S. Census Data

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 275 Washington Street, North Easton, MA 02356."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment shall also include the address of the designated office for that assessment area.]

- 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 (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, 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.