

PUBLIC DISCLOSURE

February 8, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Canton Co-operative Bank
RSSD # 379470

671 Washington Street
Canton, MA 02021

Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210

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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INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

Canton Co-Operative Bank (Canton or the bank) demonstrates an adequate responsiveness to the credit needs of its assessment area based on the following findings:

- A majority of loans and, as appropriate, other lending-related activities, are in the bank's assessment area.
- A reasonable loan-to-deposit (LTD) ratio (considering seasonable variations) given the bank's size, financial condition, the credit needs of its assessment area, and taking into account, as appropriate, other lending-related activities.
- A reasonable distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income).
- A poor geographic distribution of loans given the assessment area.
- There have been no complaints regarding the bank's CRA performance since the last CRA examination.

SCOPE OF EXAMINATION

Canton's CRA performance was reviewed in accordance with the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Small Institutions¹ and was evaluated based on the following performance criteria: assessment area concentration of loans, LTD ratio, loan distribution according to the income of the borrower, geographic distribution of loans, and response to CRA-related complaints. The data used for the evaluation and the applicable timeframe are discussed below.

The evaluation focused on home mortgage loans originated from January 1, 2016 to December 31, 2019. Home mortgage data for 2018 and 2019 is presented in the lending tables for the borrower profile and geographic distribution criteria, although home mortgage data for 2016 and 2017 was also evaluated. While both the number and dollar volume of the bank's home mortgage loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of loan demand. The bank's net LTD ratio was calculated from FFIEC Call Reports as of March 31, 2016 through December 31, 2020. Small business loans were not included in this evaluation.

Home mortgage loan data was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). HMDA reporting requirements changed in 2018; therefore, this evaluation does not compare the bank's 2016 and 2017 home mortgage lending performance to its 2018 and 2019 home mortgage lending performance. Additionally, this evaluation does not consider the new loan purposes of "other" and "not applicable". The bank's home mortgage loan performance was compared to applicable aggregate data. Aggregate data consists of lending information from all HMDA reporters that originated or purchased HMDA-reportable loans in the bank's assessment area. The 2016 and 2017 aggregate data was obtained from the FFIEC's HMDA data, and the 2018 and 2019 aggregate data was obtained from the Consumer Financial Protection Bureau (CFPB). The bank's home mortgage lending performance was also compared to demographics from the 2015 American Community Survey (ACS).

Canton's CRA performance was last examined by the Federal Reserve Bank of Boston on March 21, 2016, in accordance with the FFIEC Examination Procedures for Small Institutions. The examination resulted in a "Satisfactory" rating.

DESCRIPTION OF INSTITUTION

Canton is a state-chartered co-operative bank incorporated in 1891. The bank provides community banking services through one office located at 671 Washington Street, Canton, Massachusetts.

The bank offers personal products and services such as checking and savings accounts, online and mobile banking, mortgages, home equity loans, and consumer loans. Business products and services include checking and savings accounts, as well as construction and commercial real estate loans. Information about the bank's products and services can be found at

¹ "Small institution" means a bank or savings association that, as of December 31, of either of the prior two calendar years, had assets of less than \$1.322 billion. As the bank's assets were also below \$330 million, the bank was not considered an intermediate small institution.

www.cantoncoopbank.com.

As of December 31, 2020, bank assets totaled \$139.3 million, loans totaled \$80.5 million, and deposits totaled \$116.3 million. Since the last evaluation, bank assets have increased by 32.2 percent, which is attributed to a \$26.1 million increase in the bank’s loan portfolio. Deposits have correspondingly increased by \$30.5 million. The increase in the dollar volume of loans is partly attributed to an approximate \$11.0 million increase in closed-end one-to-four family loans and to a \$6.7 million increase in construction and land development loans.

Table 1 shows the bank’s loan portfolio distribution as of December 31, 2020. The bank has seen growth across the majority of its loan portfolio during the evaluation period. Canton is primarily a home mortgage lender with residential real estate loans, including 1-4 family open- and closed-end loans, and multifamily residential properties, representing the majority of the loan portfolio by dollar volume. Since the last examination, residential real estate loans have increased in dollar amount, but decreased in terms of their percentage of the loan portfolio, from 75.4 percent to 68.9 percent. Similarly, commercial loans, which include commercial real estate and commercial and industrial loans, have increased by dollar amount but decreased in their percentage of the loan portfolio, from 13.2 percent to 12.1 percent. Construction and land development loans have increased by dollar amount and increased in their percentage of the loan portfolio by dollar volume, from 11.2 percent to 15.8 percent.

Table 1		
Loan Distribution as of December 31, 2020		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans
1-4 Family Residential	42,321	52.6
Construction and Land Development	12,756	15.8
Revolving 1-4 Family Residential	9,124	11.3
Commercial RE	6,448	8.0
Multi-Family (5 or more) Residential	4,038	5.0
Farmland	2,523	3.1
Total Real Estate Loans	77,210	95.9
Commercial and Industrial	3,272	4.1
Consumer	21	0.0
Total Loans	80,503	100.0

Call Report as of December 31, 2020.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Canton operates in a highly competitive environment for loans and deposits. Competitors for home mortgage loans within the assessment area include large national banks and mortgage companies, as well as community banks and credit unions. In 2019, Canton ranked 119th of 468 lenders for home mortgage loans originated and/or purchased within its assessment area, at 0.04 percent. Citizen’s Bank, NA, ranked first (7.1 percent), Wells Fargo Bank, NA, ranked second (5.1 percent), and Bank of America, NA ranked third (4.2 percent).

According to the Federal Deposit Insurance Corporation Deposit Market Share Report, as of June 30, 2020, 42 depository institutions operated branches within the bank’s assessment area. Of these, Canton Co-operative Bank ranked 31st in terms of deposit market share with 0.34

percent. Bank of America, NA, Citizens Bank, NA, and Rockland Trust Company captured a majority of the assessment area's deposit market share with 24.0 percent, 14.1 percent, and 5.9 percent, respectively.

Within the Town of Canton, the center of a significant percentage of the bank's lending and deposit activity, the bank ranked 4th out of 6 in terms of deposit market share, with 11.3 percent. The Bank of Canton captured the largest deposit market share, with 46.6 percent, followed by HarborOne Bank, with 19.5 percent, and Bank of America, NA, with 17.4 percent.

Considering the bank's financial capacity, local economic conditions, assessment area demographics, and the competitive market in which it operates, the bank has demonstrated an ability to meet the credit needs in the portion of the assessment area that it can reasonably serve. There are no legal or financial impediments that would impact the bank's ability to meet the credit needs of the assessment areas in which it operates.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of Norfolk County, which is one of three counties in the Boston, MA Metropolitan Division (MD). The Boston, MA MD is located within the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA).

Norfolk County consists of 28 cities and towns including Avon, Bellingham, Braintree, Brookline, Canton, Cohasset, Dedham, Dover, Foxborough, Franklin, Holbrook, Medfield, Medway, Millis, Milton, Needham, Norfolk, Norwood, Plainville, Quincy, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood, Weymouth, and Wrentham. Norfolk County is not completely contiguous. As a result of eighteenth-century political decisions, the towns of Brookline and Cohasset are exclaves, geographically separate from the majority of the county. The Town of Canton is a residential suburb located approximately 15 miles southwest of Boston, MA, and 30 miles northeast of Providence, RI.

The bank's assessment area has not changed since the March 21, 2016 CRA examination. The assessment area consists of 130 census tracts, of which 1 is low-income, 12 are moderate-income, 49 are middle-income, and 68 are upper-income. The one low-income census tract is located in Quincy. Of the 12 moderate-income tracts, 6 are in Quincy, 2 are located in Randolph, and 1 each is in Braintree, Weymouth, Holbrook, and Stoughton. During the previous examination, the bank's assessment area consisted of two low-income census tracts (both in Quincy), and seven moderate-income census tracts (two in Stoughton, four in Quincy, and one in Holbrook). Table 2 details the assessment area demographics.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	0.8	722	0.4	278	38.5	26,057	15.2
Moderate-income	12	9.2	14,258	8.3	1,645	11.5	23,025	13.5
Middle-income	49	37.7	61,040	35.7	3,181	5.2	32,530	19.0
Upper-income	68	52.3	94,855	55.5	2,250	2.4	89,263	52.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	130	100.0	170,875	100.0	7,354	4.3	170,875	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,304	344	0.2	26.4	941	72.2	19	1.5
Moderate-income	26,726	12,501	7.0	46.8	12,759	47.7	1,466	5.5
Middle-income	104,881	63,956	35.8	61.0	35,691	34.0	5,234	5.0
Upper-income	139,486	101,691	57.0	72.9	31,662	22.7	6,133	4.4
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	272,397	178,492	100.0	65.5	81,053	29.8	12,852	4.7

2019 FFIEC Census Data and 2019 D&B Information

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Housing

There are 272,397 housing units in the assessment area, of which a majority, 76.6 percent, are 1-4 family housing, 23.4 percent have five or more units, and 0.4 percent are mobile homes. Of the total housing units, 65.5 percent are owner-occupied, while 4.7 percent are vacant, and 29.8 percent are rental units.

Rental units represent the majority of housing available within the low- and moderate-income tracts, which may inhibit the bank's opportunities to originate home-mortgage loans within those tracts. Within the low-income census tract, rental units comprise 72.2 percent of the housing stock and the level of owner-occupancy is 0.2 percent. Within the moderate-income census tracts, rental units comprise 47.7 percent of the housing stock and the level of owner-occupancy is 7.0 percent.

Housing costs are high in the assessment area. Based on the ACS, the median housing value was \$399,549, which is significantly higher than the state median housing value of \$333,100.

Similarly, the median gross monthly rent for the assessment area, at \$1,333, is higher than the state figure, at \$1,102. Recent data obtained from The Warren Group, Boston, MA, indicates that housing prices steadily rose since the last examination. For calendar year 2019, the average median home sales price for a single-family home or condominium in the assessment area was \$500,000, representing a 3.7 percent increase from \$482,250, in 2018. At the town level, in Canton, the median sales price increased 11.4 percent, from \$448,750, in 2018, to \$500,000, in 2019. According to the Federal Reserve Beige Book for January 13, 2021, low mortgage interest rates, low inventory, and high demand have driven double digit median sale price increases in all markets, and a continuing home buying “frenzy” in the First District. Low inventory and high housing costs can limit opportunities for banks to originate home mortgage loans to low- and moderate-income borrowers.

Population

The assessment area has a population of 687,721 individuals, distributed as follows: 0.4 percent reside in low-income census tracts, 8.9 percent reside in moderate-income census tracts, 36.5 percent reside in middle-income census tracts, and 54.2 percent reside in upper-income census tracts.

The assessment area includes 259,545 households. Upper-income households represent 51.4 percent of the assessment area. Middle-income households represent 38.4 percent of the assessment area. Moderate- and low-income households represent 9.7 percent and 0.5 percent, respectively, of the assessment area.

Income

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. Table 3 displays the MFI incomes for the assessment area.

Table 3				
Median Family Income				
MSA/MD	MFI			
	2016	2017	2018	2019
Boston, MA MD	\$90,800	\$94,300	\$99,300	\$105,500

FFIEC Median Family Income Estimates.

The MFI for the Boston, MA MD, which includes Norfolk County, increased during the evaluation period. Based on the ACS, the MFI for the assessment area, Norfolk County, was \$111,653, which exceeds the MFI for the Boston, MA MD. According to FFIEC census data from 2019, Norfolk County had the highest MFI of any county in Massachusetts.

The bank’s assessment area population is affluent. The assessment area includes 170,875 families, and the majority, 52.2 percent, are upper-income. Middle-income families represent 19.0 percent of the assessment area. Moderate- and low-income families represent 13.5 percent

and 15.2 percent, respectively, of the assessment area. The poverty rate for families in the assessment area is 4.3 percent, which is below the 8.2 percent poverty rate for Massachusetts.

At the town level, 73.8 percent of the families in Canton were either upper-income (56.2 percent) or middle-income (17.6 percent). Moderate- and low-income families represent 13.3 percent and 12.9 percent, respectively, of the Town of Canton. According to data from the United States Census Bureau, the median family income in the Town of Canton in 2019 was \$138,586.

Employment Statistics

Prior to the COVID-19 pandemic, the unemployment rate in Norfolk County was as low as 2.0 percent in December 2019, which was slightly below the rate in Massachusetts at 2.8 percent. From March 2020 to April 2020, the unemployment rate in Norfolk County jumped from 2.5 percent to 15.4 percent. The unemployment rate reached a high of 17.2 percent in June 2020. The unemployment rate for Massachusetts similarly increased during the same period.

As of November 2020, the unemployment rate in Norfolk County was 6.0 percent, which is below the unemployment rate for Massachusetts, at 6.7 percent. Many residents and businesses, as well as the non-profit organizations that support them, continue to face economic hardship related to the COVID-19 pandemic.

Community Contacts

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing and credit 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.

An interview was conducted with a community contact representing a non-profit organization dedicated to helping families and individuals improve their lives through affordable housing. The contact, the executive director of the organization, explained that economic conditions, especially related to housing, can make things difficult for low- and moderate- income individuals in the area. In Norfolk County, home prices are already high and continue to rise; according to the contact, it seems people cannot afford to live in the area unless making over \$100,000. Accordingly, the contact stated that home ownership is not truly an option for low- and moderate-income persons. Rents, utilities, property taxes, etc. continue to rise alongside the price of home ownership. These market conditions are affecting low- and moderate- income individuals in the community and limiting their ability to find affordable places to live, which in many cases is driving people out of their homes and out of the area. In fact, the organization assists many low-income persons who cannot afford to live in their homes anymore.

The contact identified rental assistance as a major need amongst low- and moderate-income individuals and viewed rental assistance programs as an area where local financial institutions could provide assistance.

An additional interview was conducted during a CRA examination of a different institution that serves the same communities as the bank. This contact was used in this evaluation given its relevance to understanding the communities’ needs. The contact was with a non-profit organization that serves those in need through an emergency food relief program, mental health services, and homelessness prevention. The executive director of the organization identified food relief and rental/mortgage assistance as major needs for low- and moderate-income individuals in the community.

Both contacts interviewed anticipate that the COVID-19 pandemic could exacerbate conditions and result in an uptick in evictions, foreclosures, and food insecurity.

Overall, the community contacts were satisfied with the involvement of local financial institutions in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a majority of loans and other lending related activities are in the bank’s assessment area. Table 4 presents the bank’s levels of lending inside and outside the assessment area during the evaluation period.

Loan Type	Inside				Outside				Total	
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	\$(000s)
Home Purchase	38	64.4	14,948	68.8	21	35.6	6,791	31.2	59	21,739
Home Improvement	29	85.3	4,292	84.2	5	14.7	803	15.8	34	5,095
Refinancing	45	80.4	14,313	83.0	11	19.6	2,941	17.0	56	17,254
Total	112	75.2	33,553	76.1	37	24.8	10,535	23.9	149	44,088

HMDA data for 2016, 2017, 2018 & 2019

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

During the evaluation period, the bank originated 149 home mortgage loans, of which 112, or 75.2 percent, were inside the assessment area.

On a year-to-year basis, both the total number of home mortgage loans the bank originated, and the number of those originations inside the assessment area, decreased during the evaluation period. In 2016, the bank originated 55 home mortgage loans, of which 46 loans, or 83.6 percent, were inside the assessment area. In 2017, the bank originated a total of 39 home mortgage loans, of which 31 loans, or 79.5 percent, were inside the assessment area. In 2018, the bank originated a total of 36 home mortgage loans, of which 22 loans, or 61.1 percent, were inside the assessment area. In 2019, the bank originated 19 home mortgage loans, of which 13 loans, or 68.4 percent, were inside the assessment area. Based on discussions with bank management, the high level of competition within the assessment area is a factor in the declining trend, along with the fact that more borrowers outside the assessment area can submit applications online.

Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank’s deposit base that is reinvested in the form of loans and evaluates its appropriateness. The LTD ratio is reasonable (considering seasonable variations and lending related activities) given the bank’s size, financial condition, and assessment area credit needs.

The bank's net LTD figures are calculated from the bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

Table 5 provides a comparison of the bank’s average LTD ratio during the evaluation period to institutions operating within or near the assessment area that have a similar asset size and lending focus.

Table 5 Loan-to-Deposit Ratio Comparison		
Institutions	Total Assets* \$(000's)	Average LTD Ratio** (%)
Charles River Bank	289,492	85.6
Stoughton Co-operative Bank	121,866	80.7
Foxboro Federal Savings	187,543	77.0
Wrentham Co-Operative Bank	135,924	73.4
Canton Co-operative Bank	139,306	70.3

*Call Report as of December 31, 2020

**Call Reports from March 31, 2016 to December 31, 2020

Canton’s LTD ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The average LTD ratio during the 20 quarters under evaluation was 70.3 percent. The bank’s quarterly LTD ratio ranged from a low of 61.6 percent, as of March 31, 2016, to a high of 79.9 percent, as of September 30, 2018. The bank’s LTD ratio decreased in each quarter from September 30, 2018 to September 30, 2020, when it reached 67.5 percent. In December 31, 2020, the most recent quarter of the evaluation period, the bank’s LTD ratio increased slightly to 68.7 percent. Overall, the bank’s LTD ratio is below that of similarly situated banks.

Management indicated that the increasing deposit balance and an increase in payoffs due to the low interest rate market contributed to the fluctuation in the bank’s LTD ratio during the evaluation period. To a lesser extent, Canton’s LTD ratio was also impacted by the dollar volume of loans sold by the bank during the evaluation period. The bank participated in the Federal Home Loan Bank’s (FHLB) Mortgage Finance Partnership Program (MFP) which allows the bank to sell a portion of its fixed-rate residential loan portfolio to the secondary market. The bank sold \$3,052,300 in home mortgage loans to the secondary market during the evaluation period. In 2016, the bank sold nine loans totaling \$2,631,300. In 2017, the bank sold one loan, totaling \$421,000. The bank did not sell any loans as part of the program in 2018 or 2019. This lending activity is not captured in the total loan figure but demonstrates additional bank efforts to meet the credit needs of the assessment area. Considering these factors, the bank’s LTD ratio is considered reasonable.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) when compared to area demographics and aggregate performance.

Table 6 provides a comparison of the bank’s lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank’s performance by loan type in comparison to the aggregate group.

Table 6 Borrower Distribution of HMDA Loans														
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison						Bank & Aggregate Lending Comparison					
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	15.2	0	0.0	3.4	0	0.0	1.8	0	0.0	3.9	0	0.0	1.8
	Moderate	13.5	1	14.3	15.6	125	4.5	9.4	1	14.3	16.9	320	10.9	10.5
	Middle	19.0	0	0.0	21.7	0	0.0	16.6	2	28.6	21.8	377	12.8	17.1
	Upper	52.2	6	85.7	46.3	2,675	95.5	57.7	4	57.1	44.9	2,240	76.3	57.1
	Unknown	0.0	0	0.0	13.0	0	0.0	14.6	0	0.0	12.4	0	0.0	13.5
	<i>Total</i>	<i>100.0</i>	<i>7</i>	<i>100.0</i>	<i>100.0</i>	<i>2,800</i>	<i>100.0</i>	<i>100.0</i>	<i>7</i>	<i>100.0</i>	<i>100.0</i>	<i>2,937</i>	<i>100.0</i>	<i>100.0</i>
REFINANCE	Low	15.2	0	0.0	5.1	0	0.0	2.4	0	0.0	3.4	0	0.0	1.6
	Moderate	13.5	2	14.3	15.2	410	8.3	10.1	1	16.7	13.2	125	7.5	8.2
	Middle	19.0	4	28.6	23.5	1,003	20.3	18.5	3	50.0	21.4	901	53.8	16.6
	Upper	52.2	8	57.1	47.2	3,529	71.4	58.8	2	33.3	50.4	650	38.8	61.8
	Unknown	0.0	0	0.0	9.0	0	0.0	10.2	0	0.0	11.6	0	0.0	11.8
	<i>Total</i>	<i>100.0</i>	<i>14</i>	<i>100.0</i>	<i>100.0</i>	<i>4,942</i>	<i>100.0</i>	<i>100.0</i>	<i>6</i>	<i>100.0</i>	<i>100.0</i>	<i>1,676</i>	<i>100.0</i>	<i>100.0</i>
HOME IMPROVEMENT	Low	15.2	0	0.0	4.8	0	0.0	3.2	0	0.0	5.2	0	0.0	3.8
	Moderate	13.5	0	0.0	12.1	0	0.0	7.9	0	0.0	13.7	0	0.0	10.4
	Middle	19.0	0	0.0	21.8	0	0.0	15.7	0	0.0	24.0	0	0.0	18.9
	Upper	52.2	1	100.0	58.1	624	100.0	65.1	0	0.0	53.3	0	0.0	59.3
	Unknown	0.0	0	0.0	3.2	0	0.0	8.1	0	0.0	3.9	0	0.0	7.5
	<i>Total</i>	<i>100.0</i>	<i>1</i>	<i>100.0</i>	<i>100.0</i>	<i>624</i>	<i>100.0</i>	<i>100.0</i>	<i>0</i>	<i>0.0</i>	<i>100.0</i>	<i>0</i>	<i>0.0</i>	<i>100.0</i>
HMDA TOTALS*	Low	15.2	0	0.0	4.1	0	0.0	1.9	0	0.0	3.7	0	0.0	1.6
	Moderate	13.5	3	13.6	15.0	535	6.4	8.8	2	15.4	14.7	445	9.6	8.7
	Middle	19.0	4	18.2	22.2	1,003	12.0	15.9	5	38.5	21.6	1,278	27.7	15.6
	Upper	52.2	15	68.2	47.7	6,828	81.6	54.0	6	46.2	48.1	2,890	62.6	55.0
	Unknown	0.0	0	0.0	10.9	0	0.0	19.4	0	0.0	11.8	0	0.0	19.1
	<i>Total</i>	<i>100.0</i>	<i>22</i>	<i>100.0</i>	<i>100.0</i>	<i>8,366</i>	<i>100.0</i>	<i>100.0</i>	<i>13</i>	<i>100.0</i>	<i>100.0</i>	<i>4,613</i>	<i>100.0</i>	<i>100.0</i>

2018 and 2019 FFIEC Census data, 2018 and 2019 bank residential lending data, and 2018 and 2019 Aggregate HMDA Data
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

* Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for “other” and “NA” loans (as applicable), which may cause a slight difference from publicly available data. Aggregate percentages may include loan types not required to be reported by the bank.

In 2018, the bank originated no home mortgage loans to low-income borrowers. For the same year, the bank originated three home mortgage loans, or 13.6 percent, to moderate-income borrowers. The bank's lending to moderate-income borrowers in 2018 aligned with the percentage of moderate-income families in the assessment area at 13.5 percent, but was below the aggregate, at 15.0 percent. The bank also did not originate any loans to low-income borrowers in 2019. For the same year, the bank originated two home mortgage loans, or 15.4 percent, to moderate-income borrowers, which was slightly above the aggregate, at 14.7 percent.

In 2016, the bank originated one home mortgage loan, or 2.2 percent, to low-income borrowers inside the assessment area, which was below the aggregate, at 2.8 percent. For the same year, the bank originated 11 home mortgage loans, or 23.9 percent, to moderate-income borrowers, which was more than double the aggregate, at 11.6 percent. In 2017, the bank originated two home mortgage loans, or 6.5 percent, to low-income borrowers, which exceeded the aggregate at 3.4 percent. For the same year, the bank originated one home mortgage loan, or 3.2 percent, to moderate-income borrowers, which was below the aggregate, at 14.1 percent.

The demographics of the bank's assessment area presented challenges to originating home mortgage loans to low- and moderate- income borrowers. As described above, 71.2 percent of the families in the assessment area, and 73.8 percent of families in the town of Canton, were either upper-income or middle-income. According to 2019 data from the U.S. Census Bureau, the median family income in the assessment area, the wealthiest county in Massachusetts, was \$111,653. The MFI in the Town of Canton in 2019 was \$138,586. Based on the ACS, the median housing value in the assessment area was \$399,549, which is significantly higher than the state median housing value of \$333,100. According to The Warren Group, in 2019, the average median sales price for a single-family home or condominium was \$500,000 in both the assessment area and the Town of Canton. As explained by one community contact, these high housing costs make it difficult for the lower percentage of low- and moderate-income residents in the assessment area to find affordable places to live.

Competition levels in the assessment area also impacted the bank's lending to low- and moderate-income borrowers. As discussed previously, in 2019, Canton ranked 119th of 468 lenders for home mortgage loans originated and/or purchased within its assessment area. Within the town of Canton, and during the evaluation period, the bank never ranked higher than fifth for home mortgage loans originated and/or purchased; and, in 2019, the bank ranked 21st of 175. The competition impacted the bank's overall opportunity to originate home mortgage loans, as evidenced by a decrease in home mortgage lending during the evaluation period. For example, in 2016, the bank originated a total of 55 home mortgage loans, and in 2017, the bank originated 39 home mortgage loans. These figures continued to decrease in 2018, when the bank originated a total of 36 home mortgage loans, and in 2019, when the bank originated 19 home mortgage loans.

Despite the challenges presented by competition in the local market and the assessment area demographics, Canton was responsive to community needs during the COVID-19 pandemic. While technical CRA provisions do not allow consideration of this activity as part of the overall evaluation for this bank, the bank did originate 59 loans, totaling \$2,961,813.72, as part of the first round of the Paycheck Protection Program (PPP). These loans were administered by the U.S. Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic

Security Act. PPP loans are designed to help businesses retain workers and staff during the economic crisis due to the COVID-19 pandemic. The SBA will forgive loans if the borrower meets the employee retention and eligible expenses criteria. For an additional period during the pandemic, the bank also allowed loan forbearances, waived overdraft penalties, and waived fees for CD withdrawals. Again, while not technically captured as part of this evaluation, it is notable that these collective activities eased cash flow pressures on affected borrowers, improved their capacity to service debt, and helped to maintain customers' financial capacity.

As described earlier, the bank has also made some efforts in originating loans through the FHLB's MFP Program, which assists borrowers in obtaining home ownership or lowers the cost of existing homes. All FHLB members must meet community support standards to continue to have access to long-term advances. Additionally, in 2016, the bank originated eight first-time homebuyer loans, two of which were made to moderate-income borrowers in the assessment area. In 2018, the bank originated six first-time homebuyer loans, one of which was originated to a moderate-income borrower in the assessment area.

Overall, considering the size, capacity, and resources of this single-location bank, and further considering the challenges presented by the assessment area demographics to originating loans to low- and moderate- income individuals, the distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income).

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The bank's geographic distribution of loans to individuals of different income levels, including low- and moderate-income borrowers, is poor.

Table 7 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area.

Table 7 Geographic Distribution of Loans														
Product Type	Census Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison						Bank & Aggregate Lending Comparison					
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	0.2	0	0.0	0.2	0	0.0	0.1	0	0.0	0.1	0	0.0	0.1
	Moderate	7.0	0	0.0	7.9	0	0.0	5.6	0	0.0	7.9	0	0.0	5.8
	Middle	35.8	3	42.9	38.1	805	28.8	28.6	3	42.9	37.7	697	23.7	29.0
	Upper	57.0	4	57.1	53.7	1,995	71.3	65.7	4	57.1	54.3	2,240	76.3	65.1
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	<i>Total</i>	<i>100.0</i>	<i>7</i>	<i>100.0</i>	<i>100.0</i>	<i>2,800</i>	<i>100.0</i>	<i>100.0</i>	<i>7</i>	<i>100.0</i>	<i>100.0</i>	<i>2,937</i>	<i>100.0</i>	<i>100.0</i>
REFINANCE	Low	0.2	0	0.0	0.2	0	0.0	0.1	0	0.0	0.1	0	0.0	0.1
	Moderate	7.0	0	0.0	7.4	0	0.0	5.4	0	0.0	6.1	0	0.0	4.5
	Middle	35.8	5	35.7	33.7	1,370	27.7	25.9	3	50.0	33.5	700	41.8	25.6
	Upper	57.0	9	64.3	58.8	3,572	72.3	68.6	3	50.0	60.3	976	58.2	69.8
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	<i>Total</i>	<i>100.0</i>	<i>14</i>	<i>100.0</i>	<i>100.0</i>	<i>4,942</i>	<i>100.0</i>	<i>100.0</i>	<i>6</i>	<i>100.0</i>	<i>100.0</i>	<i>1,676</i>	<i>100.0</i>	<i>100.0</i>
HOME IMPROVEMENT	Low	0.2	0	0.0	0.2	0	0.0	0.1	0	0.0	0.2	0	0.0	0.1
	Moderate	7.0	0	0.0	5.5	0	0.0	3.9	0	0.0	5.5	0	0.0	4.8
	Middle	35.8	1	100.0	33.5	624	100.0	25.0	0	0.0	33.3	0	0.0	27.4
	Upper	57.0	0	0.0	60.8	0	0.0	70.9	0	0.0	61.0	0	0.0	67.7
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	<i>Total</i>	<i>100.0</i>	<i>1</i>	<i>100.0</i>	<i>100.0</i>	<i>624</i>	<i>100.0</i>	<i>100.0</i>	<i>0</i>	<i>0.0</i>	<i>100.0</i>	<i>0</i>	<i>0.0</i>	<i>100.0</i>
HMDA TOTALS*	Low	0.2	0	0.0	0.2	0	0.0	0.1	0	0.0	0.1	0	0.0	0.1
	Moderate	7.0	0	0.0	7.5	0	0.0	5.9	0	0.0	6.8	0	0.0	5.5
	Middle	35.8	9	40.9	36.1	2,799	33.5	28.0	6	46.2	35.2	1,397	30.3	28.1
	Upper	57.0	13	59.1	56.2	5,567	66.5	66.0	7	53.8	57.8	3,216	69.7	66.2
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	<i>Total</i>	<i>100.0</i>	<i>22</i>	<i>100.0</i>	<i>100.0</i>	<i>8,366</i>	<i>100.0</i>	<i>100.0</i>	<i>13</i>	<i>100.0</i>	<i>100.0</i>	<i>4,613</i>	<i>100.0</i>	<i>100.0</i>

2018 and 2019 FFIEC Census data, 2018 and 2019 bank residential lending data, and 2018 and 2019 Aggregate HMDA Data

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

*Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" and "NA" loans (as applicable), which may cause a slight difference from publicly available data. Aggregate percentages may include loan types not required to be reported by the bank.

The bank did not originate home mortgage loans in the assessment area's single low-income census tract during the evaluation period. This low-income census tract is located in Quincy and offers limited opportunity for home mortgage lending; 0.2 percent of units in the low-income tract are owner-occupied and the level of vacancy is 1.5 percent. Additionally, 72.2 percent of all units in the low-income tract are rental units. As discussed previously, the bank also faces competition from other home mortgage lenders in the assessment area. In consideration of these factors, which suggest limited opportunity for home mortgage lending in the single low-income census tract, examiners focused more heavily on the bank's performance in moderate-income census tracts.

The bank did not originate any home mortgage loans in any of the assessment area's 12 moderate-income census tracts in 2018 or 2019. As discussed previously, of the 12 moderate-income tracts in the assessment area, 6 are located in Quincy, 2 are located in Randolph, and 1 each is located in Braintree, Weymouth, Holbrook, and Stoughton. Although Stoughton and Randolph are contiguous with the town of Canton, Quincy, Braintree, Weymouth, and Holbrook are located on the further extents of the assessment area. Since the previous examination, the total number of moderate-income tracts in the assessment area increased from 7 to 12 tracts, which suggests improved opportunity for the bank to penetrate those moderate-income tracts. However, despite improved opportunity, the bank did not originate home mortgage loans in the assessment area's moderate-income census tracts in 2018 or 2019.

Although not displayed in the table above, the bank performed similarly in 2016 and 2017. In 2016, the bank originated one home mortgage loan, or 2.2 percent, in a moderate-income census tract, which was below the aggregate at 3.2 percent. In 2017, the bank did not originate any home mortgage loans in the assessment area's moderate-income census tracts.

A factor that potentially limited the bank's opportunity for home mortgage lending in the assessment area's moderate-income census tracts is that 47.7 percent of all units in those census tracts are rental units. Also, a significant concentration of the bank's lending and deposit activities takes place in the town of Canton and contiguous towns. Of the 112 home mortgage loans originated within the assessment area during the evaluation period, 84, or 75.0 percent, came within the town of Canton. The town of Canton consists of three upper-income tracts and one middle-income tract. Accordingly, the demographics of the assessment area, including the towns where the bank's lending and deposit activities are most concentrated, impacted the bank's opportunity to lend in moderate-income census tracts.

Canton maintains a broadly defined assessment area relative to its capacity as a smaller one-location community bank. As noted earlier, this factor is combined with an affluent market, high housing costs, and high levels of competition. The bank would not reasonably be expected to consistently penetrate all geographies across the assessment area, including a significant portion of the moderate-income geographies. Therefore, in addition to evaluating the bank at the assessment area level, examiners conducted further analysis on the bank's efforts within the town of Canton and contiguous communities that the examiners believed the bank could reasonably penetrate with home mortgage loans. Although the examiners concluded there were no conspicuous gaps in lending within this smaller area, the bank's performance is still considered poor based on the lack of home mortgage lending in moderate-income tracts throughout the evaluation period, particularly in those areas where examiners believe there was opportunity to

reach moderate-income tracts.

Response to Complaints

There have been no complaints regarding the bank's CRA performance since the previous CRA examination.

CONCLUSION

Canton's performance in meeting credit needs in the assessment area is demonstrated by its record of originating a majority of loans inside the assessment area. The bank's average LTD ratio, while below that of comparable banks, is considered reasonable. Furthermore, the bank's distribution of HMDA-reportable loans by borrower income is considered reasonable. The geographic distribution of loans reflects poor dispersion throughout the assessment area. However, this criterion was weighed the least given the broadly defined assessment area relative to the effective reach of this one-location institution. As discussed previously, this and other factors limited effective geographic dispersion of lending. Lastly, no CRA-related complaints were filed against the bank for this review period. Overall, given economic, demographic, and competitive conditions in the assessment area, Canton's lending levels reasonably meet the credit needs of the assessment area. Therefore, the bank's lending performance is rated "Satisfactory."

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and nonmetropolitan counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency (OCC), and the FDIC have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, the FDIC, and the OCC, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders who do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): That is, "small farm loans" are included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that

the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.

For additional information, please see the Definitions section of Regulation BB at 12 C.F.R. 228.12