

PUBLIC DISCLOSURE

July 28, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BANK OF CANTON
RSSD – 898010
CANTON, PENNSYLVANIA**

**FEDERAL RESERVE BANK OF PHILADELPHIA
TEN INDEPENDENCE MALL, PHILADELPHIA, PA**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of the 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 Reserve Bank of Philadelphia concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

Bank of Canton is rated **SATISFACTORY**.

Major factors contributing to this rating include:

- The loan-to-deposit ratio is more than reasonable, given the assessment area credit needs;
- A majority of loans and other lending related activities are in the bank's assessment area;
- The distribution of borrowers, given the demographics of the assessment area, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

DESCRIPTION OF INSTITUTION

The Bank of Canton (Canton), headquartered in Canton, Bradford County, Pennsylvania, is state chartered as a full-service commercial bank. Canton offers a variety of consumer and commercial banking services through three branches, including its main office in Canton and additional branches in Troy and Towanda. All three branches are located in Bradford County. The branches have drive-up facilities, ATMs and extended business hours.

Canton maintains a website at www.bankofcanton.com, which offers personal and business online banking services, as well as information on branch service hours and bank products. Canton also offers telephone banking to its customers. The bank is a subsidiary of Canton Bancorp, Inc., also headquartered in Canton.

As of March 31, 2008, the bank reported \$86 million in assets, of which \$62 million, or 72%, are loans. On a dollar volume basis, loans secured by residential property is the most significant product offered by the bank. The second most material product is commercial loans, which include commercial mortgages and commercial and industrial loans. The composition of the bank's loan portfolio is presented in the following table:

LOANS as of 03/31/2008	\$000	%
Construction & Land Development Loans	1,120	1.8
Secured by Farm Land	4,486	7.3
Open-end Loans Secured by Residential Property	430	0.7
Closed-end Loans Secured by Residential Property	27,656	44.8
Secured by Non-farm Non-residential Property	6,614	10.7
Loans to Farmers	2,874	4.6
Commercial and Industrial	14,798	23.9
Consumer Installment	3,795	6.1
Other Loans	12	0.1
GROSS LOANS	\$61,785	100%

Source: Consolidated Reports of Condition, Schedule RC-C, for the period ending March 31, 2008

DESCRIPTION OF ASSESSMENT AREA

For purposes of the Community Reinvestment Act (CRA), Canton has designated its assessment area to include all of Bradford County and portions of Sullivan and Tioga Counties in Pennsylvania. According to 2000 Census data, the bank's assessment area includes 19 census tracts, all of which are designated as middle-income. Of these 19 tracts, 14 are located in Bradford County, 4 in Tioga County, and 1 in Sullivan County.

According to the Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits as of June 30, 2007¹, nine depository institutions operate in the three counties of Bradford, Sullivan and Tioga. These nine institutions maintain 54 branches, holding \$1.5 billion in deposits. Canton operates three of these branches, holding \$65 million in deposits, and is ranked 6th overall, controlling 4% of the retail deposit market. Two local banks dominate the deposit market. Citizens and Northern Bank, headquartered in Wellsboro, Tioga County, holds 41% of deposits and First Citizens National Bank in Mansfield, Tioga County, ranks 2nd with 27% of market deposits.

Canton is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA) because it does not operate a branch office in an MSA. As a result, Canton is not included in the ranking of mortgage lenders operating in its assessment area. For comparison purposes however, aggregate home mortgage lending data is presented. These data are reported annually and 2007 is the most recent year for which aggregate loan data are available. There were a total of 155 HMDA reporters in the area. Data show that Citizens and Northern Bank is the largest HMDA loan originator in the assessment area, with 31% of all loan originations and purchases. Community Bank, N.A., Canton, New York, ranks second, with 6% of the market.

Regarding small business lending, Canton does not report small business loans for purposes of CRA and thus is not included in the ranking of small business lenders operating in the assessment area. According to 2007 aggregate CRA data, a total of 33 small business reporters in the bank's assessment area collectively originated 2,134 small business loans in 2007. Chase Bank USA ranked first with 15% of the market. Local banks ranked 2nd and 3rd: First Citizens National Bank had 13% of the market, and Citizens and Northern Bank had 11%.

ECONOMIC CHARACTERISTICS

Canton's performance under the CRA was evaluated in terms of the demographic and business context in which the bank operates. The bank's assessment area is situated in north central Pennsylvania, a mainly rural area consisting of small towns, farms, state parks and game lands. Weak demographic trends have been the norm for the region, which has a declining and aging population. Between 2000 and 2006, each of the three counties in the bank's assessment area lost population (Bradford and Tioga Counties decreased 1% each, and Sullivan County decreased 4%).

The competition for financial services is modest because of the small number of competitors in the market. Local community banks dominate the banking services market, most notably Citizens and Northern Bank and First Citizens National Bank.

¹ June 30, 2007 is the most recent date for which FDIC deposit data are available.

The largest private employers in the region include Robert Packer Hospital, Cargill Meat Solutions Corp., and Osram Sylvania Products in Bradford County. In addition, Ward Manufacturing and Mansfield University in Tioga County, and Management and Training Corporation in Sullivan County, are large employers. Notably, the state and local governments, including area school districts, are also among the largest employers in the region.

Bradford County, the most populous of the three counties in the assessment area, is classified as the Sayre, PA, micropolitan statistical area. According to Census data, the county population was 62,471, as of July 1, 2006. Although Towanda is the Bradford County core, the boroughs of Sayre and Athens on the Pennsylvania/New York state border, both have larger populations. Bradford County is a relatively rural area consisting of broad, flat valleys bordering the Susquehanna River. Agriculture is a large part of the Bradford County economy, with dairy farming as the cornerstone. Farms cover 46 percent of Bradford County land. Tourism is also important to the area.

Tioga County is also a relatively rural area. The county is part of the “Twin Tiers” region which encompasses the Northern Tier of Pennsylvania and the Southern Tier of New York. Mansfield University is located in Tioga County, which also includes three state parks, two federal parks, and the Pennsylvania Grand Canyon. According to Census data, Tioga County’s population was 41,137 as of July 1, 2006. Wellsboro is the Tioga County center.

Sullivan County is a remote rural area. The county consists of two middle-income census tracts designated as underserved. For purposes of CRA, a middle-income census tract designated as underserved constitutes a rural area with a population so small, thin and distant from a population center that it will have difficulty financing essential community needs. According to Census data, Sullivan County’s population was 6,277 as of July 1, 2006. The borough of Laporte is the county center. Lumber, agriculture and tourism play an important part in the local economy.

Assessment area unemployment rates are presented in the table below. Unemployment was highest in Tioga County in May 2008.

Locations	May 2008	May 2008
Bradford County (Sayre Micropolitan Statistical Area)	4.5	4.6
Tioga County	5.2	4.6
Sullivan County	4.8	4.2
Pennsylvania	5.0	4.2

Written documentation of interviews conducted with community representatives prepared by the Federal Reserve and other regulatory agencies was reviewed during the course of the evaluation to ascertain the credit needs of the community. The most frequently mentioned credit needs were (1) loans to help small businesses open or expand; (2) home ownership education for low- and moderate-income residents to overcome barriers to purchasing a home; and (3) home improvement loans to preserve the older housing base.

HOUSING

The amount of owner-occupied housing in an assessment area is used as a proxy to estimate demand for home mortgage credit. According to 2000 Census data, the assessment area contains 39,824 housing units, of which 62% are owner-occupied, 19% are rental units, and 19% are vacant. A high vacancy rate could discourage lending for new housing construction. In addition, the relatively high proportion of senior citizens (16%), combined with the declining population, reduces demand for home purchase loans and refinancings, which creates some obstacles to lending in the region.

Of the total existing housing units in the assessment area, 70% are single family units, 19% are mobile homes, 7% are two-to-four family units, and 3% are multi-family units. The median age of the housing stock is 39 years, compared to a median age of 43 years for the state and 40 years for Non-Metro/PA.²

The median gross rent (rent plus utilities) is \$418 per month, with 26% of renters paying more than 30% of their income for housing, while the median rent for the state of Pennsylvania is \$531, with 35% of renters paying more than 30% of their income for housing. The median rent is \$421 for Non-Metro/PA, with 30% of renters paying more than 30% of their income for housing.

According to the 2000 Census, the median housing value in the assessment area is \$73,657, which is lower than the median housing value for the state (\$94,800) and Non-Metro/PA (\$78,303). Of the total owner-occupied housing units in the assessment area, 74% are valued at less than \$100 thousand. Housing values are lower than housing in the state as a whole, where 54% of housing units are valued at less than \$100 thousand, and Non-Metro/PA where 69% are less than \$100 thousand.

Although the demographic profile indicates that housing is more affordable in the assessment area when compared to both the state and other non-metropolitan areas, the housing affordability ratio for the assessment area is 0.46.³ This indicates that a gap exists between the housing price that a low- or moderate-income borrower can afford and the prevailing sale prices of the housing units. The area's low wage economy results in housing affordability problems, even with low housing costs.

BORROWER INCOME DATA

For purposes of evaluating the distribution of loans to borrowers of different income levels, incomes were classified based upon annually adjusted median family income data made available by HUD. According to 2000 Census data, the median family income for the assessment area is \$40,216, lower than the median incomes for the state (\$49,184) and Non-Metro/PA (\$41,475). HUD has reported that the 2008 adjusted median family income for Non-Metro/PA increased to \$51,500.

²The U.S. Department of Housing and Urban Development (HUD) calculates a Non-Metro/PA comparison that is the median of all census tracts located in non-metropolitan statistical areas in the state.

³The comparative housing affordability ratio is calculated by dividing median household income by the median housing value. The ratio represents the amount of single family owner-occupied housing that can be purchased by a median-income household with one dollar of income. Values closer to 1.0 are indicative of greater affordability.

The percentage of low- and moderate-income families is used as a proxy to estimate demand for home mortgage lending in the assessment area. Of the 22,909 families in the bank's assessment area, 19% are designated as low-income, 20% are moderate-income, 24% are middle-income, and 37% are upper-income. Families living below the poverty level represented 9% of total families in the assessment area, slightly higher than the 8% level for both the state and Non-Metro/PA.

GEOGRAPHIC BUSINESS DATA

The percentage of businesses located within designated census tracts is used as a proxy to estimate demand for business credit. According to 2007 business demographics, there are 2,248 businesses located in the assessment area. All of the businesses are located in middle-income census tracts and 87% are small businesses (businesses with gross annual revenues of \$1 million or less). There are also 327 farms operating in the bank's assessment area. Of these farms, 98% are designated as small farms (farms with gross annual revenues of \$1 million or less).

The demographics used to assess the performance context in which Bank of Canton operates are detailed in the table on the following page.

<p>Bank of Canton Assessment Area Demographics Assessment Area: Bradford, Sullivan, Tioga Counties</p>

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	4,236	18.5
Moderate-income	0	0.0	0	0.0	0	0.0	4,660	20.3
Middle-income	19	100.0	22,909	100.0	1,997	8.7	5,507	24.0
Upper-income	0	0.0	0	0.0	0	0.0	8,506	37.1
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	19	100.0	22,909	100.0	1,997	8.7	22,909	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	39,824	24,722	100.0	62.1	7,361	18.5	7,741	19.4
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	39,824	24,722	100.0	62.1	7,361	18.5	7,741	19.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	2,248	100.0	1,963	100.0	154	100.0	131	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,248	100.0	1,963	100.0	154	100.0	131	100.0
	Percentage of Total Businesses:			87.3		6.9		5.8
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	327	100.0	321	100.0	5	100.0	1	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	327	100.0	321	100.0	5	100.0	1	100.0
	Percentage of Total Farms:			98.2		1.5		0.3

SCOPE OF EXAMINATION

Canton's CRA performance was evaluated for the period from July 20, 2004 through July 28, 2008, in accordance with the Interagency Procedures and Guidelines for Small Retail Institutions. The examination included an analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside of the bank's assessment area;
- The extent of lending to borrowers of different incomes, including low- and moderate-income borrowers, and businesses of different sizes, including small businesses;
- The geographic distribution of loans within the assessment area; and
- The bank's response to substantiated complaints.

Loan products evaluated include home purchase and home improvement loans, the refinancing of such loans, small business loans, and small farm loans. Canton is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA) because it does not have a branch office in an MSA. As a result, analysis of the bank's home mortgage lending is based on a statistical sampling of its 2006 and 2007 loan portfolio. Additionally, Canton does not report small business loans pursuant to CRA, and the analysis of the bank's small business lending is based on a statistical sampling of its 2006 and 2007 commercial loan portfolio.

The evaluation of the distribution of loans to borrowers of different income levels is based on 2007 adjusted median family income data made available by HUD. All other demographic indices and statistics presented throughout this evaluation are based on 2000 U.S. Census data unless otherwise noted.

LOAN-TO-DEPOSIT RATIO

A financial institution's loan-to-deposit ratio compares the institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend, and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters. Canton's loan-to-deposit ratio is more than reasonable, given the bank's asset size, financial condition and assessment area credit needs.

The bank's average loan-to-deposit ratio measured 101.5% over the past 17 quarters of operation, compared to a ratio of 79.2% at its previous CRA evaluation. The loan-to-deposit ratio is above the peer group average of 75.0%.⁴ The bank's loan-to-deposit ratio has been trending downward over the past year, measuring 92.1% as of 6/30/08.

The table on the following page shows Canton's quarterly loan-to-deposit ratios for the past 17 quarters, together with the average ratio for the same period.

BANK OF CANTON

⁴ Bank of Canton's national peer group consists of all insured commercial banks having assets between \$50 million and \$100 million in a non-metropolitan area, with 3 or more full service offices.

HISTORICAL LOAN-TO-DEPOSIT RATIOS			
AS OF DATE	NET LOANS (THOUSANDS)	TOTAL DEPOSITS (THOUSANDS)	RATIO
03/31/08	60,988	65,649	92.9
12/31/07	61,433	63,546	96.7
09/30/07	62,261	62,216	100.1
06/30/07	62,437	64,854	96.3
03/31/07	62,120	62,730	99.0
12/31/06	61,458	61,725	99.6
09/30/06	61,859	58,691	105.4
06/30/06	62,141	58,215	106.7
03/31/06	60,991	51,070	119.4
12/31/05	59,170	52,578	112.5
09/30/05	57,900	52,203	110.9
06/30/05	54,739	50,655	108.1
03/31/05	53,295	50,113	106.4
12/31/04	51,010	49,476	103.1
09/30/04	46,640	47,940	97.3
06/30/04	42,746	48,567	88.0
03/31/04	41,683	49,774	83.7
Quarterly Loan-to-Deposit Ratio Average Since Previous Evaluation			101.5

Source: The Uniform Bank Performance Report prepared by the FDIC for use by Federal regulators.

Bank lending levels reflect reasonable responsiveness to assessment area credit needs. As of March 31, 2008, net loans represented 71.3% of total assets, compared to 72.6% of assets at Canton's previous CRA evaluation. The peer group average as of March 31, 2008, was 63.0%.

LENDING IN ASSESSMENT AREA

An analysis of residential mortgage and small business lending was conducted to determine the volume of loans extended inside and outside of the bank's assessment area as delineated for purposes of CRA. For residential mortgages, 79% of the loans sampled were within the bank's assessment area. For small business loans, 76% of the loans sampled were within the assessment area. Bank lending outside the assessment area was concentrated in Chemung County, New York, which borders Bradford County to the north, and in the portion of Tioga County, PA, that is not included in Canton's assessment area.

As shown in the following table, a majority of Canton’s loans were inside the assessment area.⁵

Bank of Canton Lending Inside and Outside the Assessment Area								
	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Mortgage Loans	34	79.1	\$3,195	75.5	9	20.9	\$1,036	24.5
Small Business Loans	38	76.0	\$2,888	79.4	12	24.0	\$750	20.6
TOTAL LOAN SAMPLE	72	77.4	\$6,083	77.3	21	22.6	\$1,786	22.7

DISTRIBUTION OF LOANS BY BORROWER INCOME LEVEL AND REVENUE SIZE OF BUSINESS

An analysis of residential mortgage and small business lending data was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to determine the extent of lending to borrowers of different income levels and to businesses of different sizes. Given the demographics of the assessment area, the distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

For purposes of evaluating the distribution of loans to borrowers of different income levels, incomes are classified based upon annually adjusted median family income data made available by HUD. The adjusted median family incomes for 2008, 2007 and 2006 are listed in the table below, categorized by the dollar amounts recognized as low-, moderate-, middle- and upper-income.

Year	HUD Adjusted Median Family Income	Low Income (<50%)	Moderate Income (50%-less than 80%)	Middle Income (80%-less than 120%)	Upper Income (120% or Greater)
2008	\$51,500	Less than \$25,750	\$25,750--\$41,200	\$41,200--\$61,800	\$61,800 or more
2007	\$49,800	Less than \$24,900	\$24,900--\$39,840	\$39,840--\$59,760	\$59,760 or more
2006	\$50,600	Less than \$25,300	\$25,300--\$40,480	\$40,480--\$60,720	\$60,720 or more

The percentage of low- and moderate-income families in the assessment area is used as a proxy to estimate demand for residential mortgage lending in the assessment area. Canton’s distribution of home mortgage loans among borrowers of different income levels, including low- and moderate-income borrowers, is considered reasonable.

⁵ The information used to evaluate Canton’s lending activity is detailed in the **CRA LOAN DISTRIBUTION TABLES** contained in Appendix B.

An analysis of residential mortgage lending shows that 6% of the bank's loans were originated to low-income borrowers, while 19% of families in the assessment area are considered low-income. In addition, 21% of loans were to moderate-income borrowers, while 20% of families are considered moderate-income.

The bank's distribution of loans is good, despite the obstacles to homeownership for both low- and moderate-income borrowers. In particular, 26% of the assessment area's renters expend more than 30% of gross income for housing, making it difficult for them to save the customary down payment and closing costs necessary to purchase a house. Also, there is a limited amount of owner-occupied housing that is affordable to these borrowers. A gap exists between the housing price that a low- or moderate-income borrower can afford and the prevailing sale prices of the housing units. The area's low wage economy results in housing affordability problems, including excessive cost burdens.

Canton's residential mortgage lending is reasonable when compared to the aggregate lending in the assessment area. The analysis shows that 6% of all reported HMDA loans originated in the assessment area were to low-income borrowers and 19% were to moderate-income borrowers. Canton performed about the same as the market with both low- and moderate-income borrowers.

The following table shows the distribution of the bank's home mortgage loans by borrower income level, compared to the market's aggregate distribution.

BANK OF CANTON ASSESSMENT AREA RESIDENTIAL MORTGAGE LOANS COMPARED TO MARKET DISTRIBUTION		
Borrower Income Level	Bank of Canton % Home Mortgage Loans	2007 Market Aggregate % Home Mortgage Loans
Low-income	6	6
Moderate-income	21	19
Middle-income	29	27
Upper-income	38	41
Income Unknown⁶	6	7
Total	100%	100%

LENDING TO BUSINESSES OF DIFFERENT SIZES

The number of businesses operating in the bank's assessment area is used as a proxy to estimate demand for business credit in the assessment area. According to business demographics, approximately 87% of the businesses operating in the assessment area are small businesses. An analysis of Canton's distribution of loans to small businesses reflects reasonable penetration among business customers of different sizes.

⁶ Canton originated a number of loans to real estate developers and investors for which borrower income is not considered.

For the purpose of this evaluation, a small business loan is defined as a commercial loan with an origination amount of \$1 million or less. Small business loans are further quantified to identify those loans to businesses with gross annual revenues of \$1 million or less. Schedule RC-C Part II (Loans to Small Farms and Small Businesses) of the bank's Consolidated Reports of Condition and Income as of June 30, 2007, indicates that 97% of Canton's commercial loans were designated as small business loans, as detailed in the following chart.

BANK OF CANTON COMMERCIAL LOAN PORTFOLIO		
	AMOUNT OUTSTANDING AS OF 06/30/2007 (\$000)	PERCENT
Loans with original amounts of \$100,000 or less	7,013	33%
Loans with original amounts of more than \$100,000 through \$250,000	8,030	37%
Loans with original amounts of more than \$250,000 through \$1,000,000	5,746	27%
TOTAL SMALL BUSINESS LOANS	20,789	97%
Loans with original amounts of more than \$1,000,000	633	3%
TOTAL COMMERCIAL LOANS	21,422	100

Canton's business lending was analyzed to determine the percentage of loans made to small businesses (revenues less than \$1 million). A sample of the bank's 2006 and 2007 small business loans shows that 87% of loans were originated to small businesses. Canton's performance also compares favorably to aggregate lending levels, as evidenced by its better than market performance. Aggregate data shows that 45% of all reported small business loans in the bank's assessment area were made to small businesses.

Further, of the business loans sampled, 82% were extended in an amount of \$100 thousand or less. By comparison, a review of all lenders in the market shows that 96% of all small business loans made in the assessment area were originated in amounts of \$100 thousand or less. Since small size loans are generally commensurate with the borrowing needs of smaller businesses, Canton's lending activity demonstrates that the bank is adequately meeting the credit needs of small businesses.

LENDING TO FARMS OF DIFFERENT SIZES

Canton also originated small farm loans in its assessment area. For the purpose of this evaluation, a small farm loan is defined as a loan secured by farmland, a loan to finance agricultural production, or other loans to farmers, with an origination amount of \$500 thousand or less.

Schedule RC-C of the bank's Consolidated Reports of Condition and Income as of June 30, 2007, indicates that 100% of Canton's farm loans were designated as small farm loans, as detailed in the chart on the following page.

BANK OF CANTON SMALL FARM LOANS		
	AMOUNT OUTSTANDING AS OF 06/30/2007 (\$000)	PERCENT
Loans with original amounts of \$100,000 or less	1,754	24%
Loans with original amounts of more than \$100,000 through \$250,000	3,146	43%
Loans with original amounts of more than \$250,000 through \$500,000	2,437	33%
TOTAL SMALL FARM LOANS	7,337	100%

Canton's lending activity demonstrates that the bank is adequately meeting the credit needs of small farms. Local banks Citizens and Northern Bank and First Citizens National Bank, as well as the Farm Credit Bureau, are competitors for small farm lending in the area.

GEOGRAPHIC DISTRIBUTION OF LENDING

An analysis of the geographic distribution of a bank's home mortgage and small business lending is usually conducted in a CRA evaluation to determine the dispersion of loans among different census tracts within the assessment area. However, Canton's assessment area consists of all middle-income census tracts, making any geographic analysis of the bank's lending not meaningful.

RESPONSE TO SUBSTANTIATED COMPLAINTS

No CRA-related complaints were filed with either Canton or the Federal Reserve Bank of Philadelphia during the evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES

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

CRA APPENDIX A: LOAN DISTRIBUTION TABLES

HOME MORTGAGE LOAN DISTRIBUTION TABLE

Income Categories	Home Mortgage Loan Distribution Table							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Mortgage Loans Totals							
Low	0	0.0%	0	0.0%	2	5.9%	132	4.1%
Moderate	0	0.0%	0	0.0%	7	20.6%	430	13.5%
Low/Moderate Total	0	0.0%	0	0.0%	9	26.5%	562	17.6%
Middle	34	100.0%	3,195	100.0%	10	29.4%	929	29.1%
Upper	0	0.0%	0	0.0%	13	38.2%	1,496	46.8%
Unknown	0	0.0%	0	0.0%	2	5.9%	209	6.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	34	100.0%	3,195	100.0%	34	100.0%	3,195	100.0%

SMALL BUSINESS LOAN DISTRIBUTION TABLE

	SMALL BUSINESS LOANS SAMPLED				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	By Tract Income							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Low/Moderate Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	38	100.0%	2,888	100.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	38	100.0%	2,888	100.0%	0	0.0%	0	0.0%
	By Revenue							
Total \$1 Million or Less	33	86.8%	2,258	78.3%	0	0.0%	0	0.0%
Over \$1 Million	4	10.5%	351	12.2%	0	0.0%	0	0.0%
Unknown	1	2.6%	275	9.5%	0	0.0%	0	0.0%
Total	38	100.0%	2,884	100.0%	0	0.0%	0	0.0%
	By Loan Size							
\$100,000 or less	31	81.6%	859	29.7%	0	0.0%	0	0.0%
\$100,001 - \$250,000	4	10.5%	673	23.3%	0	0.0%	0	0.0%
\$250,001 - \$1 Million	3	7.9%	1,357	47.0%	0	0.0%	0	0.0%
Over \$1 Million	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	38	100.0%	2,888	100.0%	0	0.0%	0	0.0%
	By Loan Size and Revenue \$1 Million or Less							
\$100,000 or less	29	87.9%	798	35.3%	0	0.0%	0	0.0%
\$100,001 - \$250,000	2	6.1%	380	16.8%	0	0.0%	0	0.0%
\$250,001 - \$1 Million	2	6.1%	1,081	47.9%	0	0.0%	0	0.0%
Over \$1 Million	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	33	100.0%	2,259	100.0%	0	0.0%	0	0.0%

CRA APPENDICES

CRA APPENDIX B: 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.

Block numbering area (“BNA”): A statistical subdivision of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census tract: A small subdivision of metropolitan and other densely populated 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 upon 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 development: 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.

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.

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 non-relatives 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 review: Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, 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 refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited review: Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, 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.

Metropolitan area (“MA”): Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”) or consolidated metropolitan statistical area (“CMSA”) as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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.

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.

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 multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report 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 either secured by non-farm 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 non-farm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

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

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

CRA APPENDIX C: ASSESSMENT AREA MAP

