



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
CONSUMER PROTECTION AND FINANCIAL ENFORCEMENT
DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2020

Institution: Bank of Utica
222 Genesee Street
Utica, NY 13502-4285

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

| | Section |
|--|---------|
| General Information | 1 |
| Overview of Institution's Performance | 2 |
| Performance Context..... | 3 |
| Institution Profile | |
| Assessment Area | |
| Demographic & Economic Data | |
| Community Information | |
| Performance Tests and Assessment Factors | 4 |
| Lending Test | |
| Investment Test | |
| Service Test | |
| Additional Factors | |
| Glossary | 5 |

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank of Utica (“BU” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2020.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated BU according to the large bank performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The evaluation period included calendar years 2018, 2019 and 2020 for the lending activities, and the period April 1, 2018 to December 31, 2020 for community development activities. BU is rated “**2**,” indicating a “**Satisfactory**” record of helping to meet community credit needs with regulatory standards.

This rating is based on the following factors:

LENDING TEST: High Satisfactory

BU's small business lending activities were more than reasonable in light of BU's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

Lending Activity: Low Satisfactory

During the evaluation period, BU's average LTD ratio was 9.5%, well below its peer group ratio of 85.7%, but was an improvement compared to the 7.5% reported for the prior evaluation period. The Bank's LTD ratios have historically been very low, primarily due to BU's strategy to maintain a large securities portfolio on its balance sheet, but also due to high poverty and unemployment rates, weak economic growth, limited lending opportunities and competition within the Bank's assessment area.

Assessment Area Concentration: High Satisfactory

During the evaluation period, BU originated 82.7% by number and 80.5% by dollar value of its total small business loans within the assessment area, demonstrating a more than reasonable concentration of lending.

Geographic Distribution of Loans: Outstanding

BU's origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

During the evaluation period, BU's average rates of lending in LMI tracts significantly exceeded the aggregate's rates. The Bank's average rates of lending in LMI geographies also exceeded the percentage of small businesses located in LMI geographies for each year of the evaluation period.

Distribution by Borrower Characteristics: High Satisfactory

BU's small business lending demonstrated a more than reasonable distribution of loans among businesses of different revenue sizes.

During the evaluation period, BU's average rates of lending to businesses with gross annual revenue of \$1 million or less outperformed the aggregate's rates. However, BU's rates of lending to small businesses with revenue of \$1 million or less trailed the percentage of such small businesses located in the Bank's assessment area during each year of the evaluation period.

Community Development Lending: High Satisfactory

During the evaluation period, BU originated \$29.8 million in new community development loans and had no loans outstanding from prior evaluation periods. This demonstrated a more than reasonable level of community development lending over the course of the evaluation period.

BU made significant use of flexible or innovative lending practices to support community development. The Bank's flexible and innovative lending included micro-loans, which are small loans that provide working capital for small business owners. In addition, BU also made 184 Paycheck Protection Program ("PPP") loans totaling \$26.8 million in 2020 to aid small businesses affected by the COVID-19 Pandemic.

INVESTMENT TEST: High Satisfactory

BU's qualified investments were more than reasonable in light of the assessment area's credit needs.

Qualified Investments:

During the evaluation period, BU made \$2.3 million in new qualified investments and had \$13.7 million outstanding from prior evaluation periods. In addition, BU made \$528,500 in qualified grants. This demonstrated a more than reasonable level of qualified investments and grants over the course of the evaluation period.

Innovativeness of Qualified Investments:

BU did not use innovative investments to support community development.

Responsiveness of Qualified Investments to Credit and Community Development Needs:

BU's qualified investments exhibited a more than reasonable responsiveness to the assessment area's credit and community development needs.

SERVICE TEST: High Satisfactory

Retail Banking Services: High Satisfactory

BU has a more than reasonable branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

Community Development Services: High Satisfactory

BU provided a relatively high level of community development services. Board of directors, management and staff participated in 96 community development activities.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

BU is a New York State-chartered commercial Bank with a single branch office located in Utica, New York. BU has one affiliate, the Bank of Utica Foundation, Inc., a nonprofit charitable organization that makes charitable donations on behalf of the Bank.

BU offers a variety of deposit and loan products such as checking, saving and money market accounts, certificate of deposits and IRA accounts, commercial lines of credit and term loans, commercial mortgages, and residential mortgage loans. The services offered by the Bank include mobile banking, remote deposit capture, ACH origination, bank-by-mail, and 24-hour telephone banking.

In its Consolidated Report of Condition (the "Call Report"), as of December 31, 2020, filed with the Federal Deposit Insurance Corporation ("FDIC"), BU reported total assets of \$1.3 billion, of which \$120.1 million were net loans and lease financing receivables. It also reported total deposits of \$1.1 billion, resulting in a loan-to-deposit ratio of 11.3%. According to the latest available comparative deposit data, as of June 30, 2020, BU had a market share of 24.4%, or \$1 billion in a market of \$4.2 billion, ranking it first among 10 deposit-taking institutions in the assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2018, 2019 and 2020 Call Reports:

| TOTAL GROSS LOANS OUTSTANDING | | | | | | |
|---------------------------------------|---------|------|---------|------|---------|------|
| Loan Type | 2018 | | 2019 | | 2020 | |
| | \$000's | % | \$000's | % | \$000's | % |
| 1-4 Family Residential Mortgage Loans | 2,294 | 3.0 | 1,967 | 2.2 | 1,767 | 1.5 |
| Commercial & Industrial Loans | 31,401 | 41.5 | 44,300 | 49.5 | 64,189 | 52.7 |
| Commercial Mortgage Loans | 28,534 | 37.7 | 28,432 | 31.7 | 40,035 | 32.9 |
| Multifamily Mortgages | 6,812 | 9.0 | 7,432 | 8.3 | 6,930 | 5.7 |
| Consumer Loans | 4,101 | 5.4 | 4,658 | 5.2 | 4,728 | 3.9 |
| Other Loans | 2,516 | 3.3 | 2,772 | 3.1 | 4,070 | 3.3 |
| Total Gross Loans | 75,658 | | 89,561 | | 121,719 | |

As illustrated in the above table, BU is primarily a commercial lender, with 85.6% of its loan portfolio in commercial & industrial loans (52.7%) and commercial mortgage loans (32.9%).

Examiners did not find evidence of financial or legal impediments that had an adverse impact on BU's ability to meet the credit needs of its community.

Assessment Area

BU's assessment area is made up of a part of Oneida County that consists primarily of the City of Utica and surrounding geographies.

There are 49 census tracts in the Bank's assessment area, of which 13 are low-income, 5 are moderate-income, 14 are middle-income, 13 are upper-income, and 4 are tracts with no income indicated.

| Assessment Area Census Tracts by Income Level | | | | | | | |
|--|-----|-----|-----|--------|-------|-------|-------|
| County | N/A | Low | Mod | Middle | Upper | Total | LMI % |
| Oneida* | 4 | 13 | 5 | 14 | 13 | 49 | 37 |
| Total | 4 | 13 | 5 | 14 | 13 | 49 | 37 |

* Partial county

Demographic & Economic Data

The assessment area had a population of 149,502 during the examination period. Approximately 17% of the population was over the age of 65 and 19.1% was under the age of 16.

Of the 34,837 families in the assessment area, 23.3% were low-income, 15% were moderate-income, 20.7% were middle-income and 40.9% were upper-income families. There were 57,204 households in the assessment area, of which 17% had income below the poverty level and 3.8% were on public assistance.

The weighted average median family income in the assessment area was \$63,202.

There were 63,966 housing units within the assessment area, of which 83.5% were one-to-four family units and 12.4% were multifamily units. A majority (56.8%) of the area's housing units were owner-occupied, while 32.6% were rental units. Of the 36,345 owner-occupied housing units, 18% were in LMI census tracts while 82% were in middle- and upper-income census tracts. The median age of the housing stock was 66 years, and the median home value in the assessment area was \$114,744.

There were 9,051 non-farm businesses in the assessment area. Of these, 81.3% were businesses with reported revenues of less than or equal to \$1 million, 6.2% reported revenues of more than \$1 million, and 12.5% did not report their revenues. Of all the businesses in the assessment area, 95.9% were businesses with less than fifty employees while 86.7% operated from a single location. The largest industries in the area were services (39%), followed by retail trade (15.5%) and finance, insurance & real estate (8.1%); 15.4% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, unemployment rates for New

York State, Oneida County, and the City of Utica decreased from 2018 to 2019; however, unemployment rates dramatically increased in 2020 due to the onset and persistence of the Covid-19 pandemic which resulted in closings of businesses including restaurants and retail stores.

During the evaluation period unemployment rates for the City of Utica were consistently higher than rates for New York State and Oneida County.

| Assessment Area Unemployment Rate | | | |
|--|-------------|-------------|---------------|
| | Statewide | Oneida | City of Utica |
| 2018 | 4.1% | 4.4% | 5.2% |
| 2019 | 3.8% | 4.1% | 5.0% |
| 2020 | 10.0% | 8.1% | 10.8% |
| Average of above Years | 6.0% | 5.5% | 7.0% |

Community Information

DFS examiners conducted community contact interviews with representatives from two nonprofit organizations that are active in the Bank's assessment area. The first nonprofit promotes economic development by providing training to individuals, including minorities and immigrants, who are looking to start or expand a business. The second nonprofit provides community services to local residents living in poverty, such as utility-bill payment assistance and tax preparation, as well as early education programs for children such as Early Head Start and Universal Pre-K.

Representatives from both organizations noted that the City of Utica has a large immigrant population and that many families live below the poverty level. The pandemic has worsened economic conditions in the area, including because of the closure of businesses; however, the financial condition is slowly improving and small businesses in the City of Utica are slowly recovering as grants and economic assistance, including Paycheck Protection Program ("PPP") loans backed by the U.S. Small Business Administration, have helped businesses to re-open or remain open.

Although local financial institutions have made donations in the form of grants, the organizations' representatives remarked that local financial institutions could further help by providing training to small business owners and developing new programs to assist women- and minority-owned businesses to succeed. Furthermore, the representatives noted that local financial institutions should be more willing to collaborate with community development organizations to develop financial education programs that address the issue of qualifying for a loan.

Both contacts favorably mentioned Bank of Utica as a local financial institution that helps to meet the credit needs of its communities.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated BU under the large banking institutions performance criteria in accordance with Sections 76.7, 76.8, 76.9 and 76.10 of the GRS, which consist of the lending, investment and service tests. DFS also considered the following factors in assessing the Bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which BU helps to meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. BU submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually, and obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2018, 2019 and 2020 for the lending test, and April 1, 2018 through December 31, 2020 for the community development test.

Examiners considered BU's small business loans in evaluating factors (2), (3) and (4) of the lending test noted below.

At its prior Performance Evaluation, as of March 31, 2018, DFS assigned BU a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of BU's communities.

Current CRA Rating: Satisfactory

LENDING TEST: High Satisfactory

The Bank's lending performance was evaluated pursuant to the following criteria:

- (1) Lending Activity;*
- (2) Assessment Area Concentration;*
- (3) Geographic Distribution of Loans;*
- (4) Borrower Characteristics;*
- (5) Community Development Lending; and*
- (6) Flexible and/or Innovative Lending Practices.*

BU's small business lending activities were more than reasonable in light of the Bank's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

Lending Activity: Low Satisfactory

During the evaluation period, BU's average LTD ratio was 9.5%, well below its peer group ratio of 85.7%, but up from the 7.5% reported for the prior evaluation period. The Bank's LTD ratios have historically been very low, primarily due to BU's strategy to maintain a large securities portfolio on its balance sheet, but also due to high poverty and unemployment rates, weak economic growth, limited lending opportunities and competition within the Bank's assessment area.

The City of Utica, where BU's only branch is located, had a poverty rate of 29.4% during the evaluation period, and the average unemployment rate for the evaluation period for the City of Utica of 7% was higher than the 5.5% and 6% for Oneida County and New York State, respectively.

BU's competition includes large national and regional banks, such as Chase, Citibank, M&T Bank, and non-bank small business lenders. Nevertheless, according to the Institution Market Share report,¹ BU ranked 8th among 55 lenders in 2018, 10th among 56 lenders in 2019, and 5th among 70 lenders in 2020 when ranking small business lenders by number of small business loans originated within the Bank's assessment area.

The table below shows BU's LTD ratios in comparison with the peer group's ratios for the 12 quarters during the evaluation.

¹ The Institution Market Share report ranks institutions by the number and dollar amount of small business loans originated in their assessment areas.

| Loan-to-Deposit Ratios | | | | | | | | | | | | | |
|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------|
| | 2018 Q1 | 2018 Q2 | 2018 Q3 | 2018 Q4 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2020 Q1 | 2020 Q2 | 2020 Q3 | 2020 Q4 | Avg. |
| Bank | 7.6 | 7.6 | 8.1 | 8.8 | 8.3 | 8.3 | 8.6 | 10.0 | 11.0 | 12.3 | 11.9 | 11.3 | 9.5 |
| Peer | 85.0 | 86.7 | 86.8 | 86.9 | 85.9 | 87.0 | 86.7 | 86.6 | 86.1 | 85.4 | 84.6 | 80.4 | 85.7 |

Assessment Area Concentration: High Satisfactory

During the evaluation period, BU originated 82.7% by number and 80.5% by dollar value of its small business loans within the assessment area, demonstrating a more than reasonable concentration of lending.

The following table shows the percentages of BU's small business loans originated inside and outside of the assessment area.

| Distribution of Loans Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------|---------|-------|-------|---------------------------------|-------|---------|-------|--------|
| Loan Type | Number of Loans | | | | | Loans in Dollars (in thousands) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Small Business | | | | | | | | | | |
| 2018 | 154 | 85.1% | 27 | 14.9% | 181 | 15,827 | 87.4% | 2,284 | 12.6% | 18,111 |
| 2019 | 126 | 76.4% | 39 | 23.6% | 165 | 9,977 | 70.6% | 4,151 | 29.4% | 14,128 |
| 2020 | 246 | 84.8% | 44 | 15.2% | 290 | 27,743 | 81.0% | 6,509 | 19.0% | 34,252 |
| Grand Total | 526 | 82.7% | 110 | 17.3% | 636 | 53,547 | 80.5% | 12,944 | 19.5% | 66,491 |

Geographic Distribution of Loans: Outstanding

BU's origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

BU's average rates of lending in LMI tracts were 54.6% by number and 57% by dollar value of loans for the evaluation period. These rates of lending significantly exceeded the aggregate's rates of 30.5% and 38.3%, respectively.

The Bank's rates of lending in low-income census tracts consistently exceeded the aggregate rates all throughout the three-year evaluation period. Overall, BU originated 45.2% by number and 48.8% by dollar value of its small business loans in low-income census tracts, outperforming aggregate rates of 19% and 24.4%, respectively.

BU's average rates of lending in LMI geographies also exceeded the percentage of small businesses (business demographics) located in LMI geographies for each year of the evaluation period.

The following table provides a summary of the distribution of BU's small business loans by the income level of the geography where the business was located.

| Distribution of Small Business Lending by Geographic Income of the Census Tract | | | | | | | | | |
|---|------------|-------|---------------|-------|--------------|-------|----------------|-------|----------|
| 2018 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 74 | 48.1% | 6,979 | 44.1% | 386 | 18.3% | 22,133 | 25.5% | 20.5% |
| Moderate | 7 | 4.5% | 571 | 3.6% | 258 | 12.2% | 10,575 | 12.2% | 12.8% |
| LMI | 81 | 52.6% | 7,550 | 47.7% | 644 | 30.5% | 32,708 | 37.7% | 33.4% |
| Middle | 43 | 27.9% | 3,449 | 21.8% | 539 | 25.6% | 20,702 | 23.9% | 28.1% |
| Upper | 22 | 14.3% | 2,503 | 15.8% | 890 | 42.2% | 28,630 | 33.0% | 37.1% |
| Unknown | 8 | 5.2% | 2,325 | 14.7% | 36 | 1.7% | 4,725 | 5.4% | 1.5% |
| Total | 154 | | 15,827 | | 2,109 | | 86,765 | | |
| 2019 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 57 | 45.2% | 5,619 | 56.3% | 449 | 19.0% | 16,888 | 22.0% | 20.6% |
| Moderate | 14 | 11.1% | 479 | 4.8% | 248 | 10.5% | 11,850 | 15.4% | 12.8% |
| LMI | 71 | 56.3% | 6,098 | 61.1% | 697 | 29.5% | 28,738 | 37.4% | 33.4% |
| Middle | 16 | 12.7% | 1,491 | 14.9% | 539 | 22.8% | 21,180 | 27.5% | 28.2% |
| Upper | 29 | 23.0% | 1,021 | 10.2% | 1,099 | 46.4% | 25,005 | 32.5% | 36.9% |
| Unknown | 10 | 7.9% | 1,367 | 13.7% | 31 | 1.3% | 1,960 | 2.5% | 1.5% |
| Total | 126 | | 9,977 | | 2,366 | | 76,883 | | |
| 2020 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 107 | 43.5% | 13,559 | 48.9% | 505 | 19.5% | 39,413 | 25.0% | 20.5% |
| Moderate | 28 | 11.4% | 3,330 | 12.0% | 311 | 12.0% | 22,118 | 14.0% | 12.7% |
| LMI | 135 | 54.9% | 16,889 | 60.9% | 816 | 31.5% | 61,531 | 39.0% | 33.2% |
| Middle | 44 | 17.9% | 4,390 | 15.8% | 644 | 24.9% | 30,508 | 19.4% | 27.9% |
| Upper | 59 | 24.0% | 5,098 | 18.4% | 1,067 | 41.2% | 55,008 | 34.9% | 37.5% |
| Unknown | 8 | 3.3% | 1,366 | 4.9% | 64 | 2.5% | 10,531 | 6.7% | 1.4% |
| Total | 246 | | 27,743 | | 2,591 | | 157,578 | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 238 | 45.2% | 26,157 | 48.8% | | 19.0% | | 24.4% | |
| Moderate | 49 | 9.3% | 4,380 | 8.2% | | 11.6% | | 13.9% | |
| LMI | 287 | 54.6% | 30,537 | 57.0% | 2,157 | 30.5% | 122,977 | 38.3% | |
| Middle | 103 | 19.6% | 9,330 | 17.4% | | 24.4% | | 22.5% | |
| Upper | 110 | 20.9% | 8,622 | 16.1% | | 43.2% | | 33.8% | |
| Unknown | 26 | 4.9% | 5,058 | 9.4% | | 1.9% | | 5.4% | |
| Total | 526 | | 53,547 | | 7,066 | | 321,226 | | |

Distribution by Borrower Characteristics: High Satisfactory

BU's small business lending demonstrated a more than reasonable distribution of loans among businesses of different revenue sizes.

During the evaluation period, BU's average rates of lending to businesses with gross annual revenue of \$1 million or less were 64.8% by number and 41.7% by dollar value of loans, outperforming the aggregate's rates of 42.2% and 30.88%, respectively. However, BU's rates of lending to small businesses trailed the percentage of small businesses with annual revenue of \$1 million or less located in the Bank's assessment area.

The following table provides a summary of the distribution of BU's small business loans by the revenue size of the business.

| Distribution of Small Business Lending by Revenue Size of Business | | | | | | | | | |
|---|-------------|----------|----------------|----------|------------------|----------|----------------|----------|-----------------|
| 2018 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 104 | 67.5% | 9,427 | 59.6% | 1,012 | 48.0% | 31,102 | 35.8% | 77.9% |
| Rev. > \$1MM | 50 | 32.5% | 6,400 | 40.4% | | | | | 7.7% |
| Rev. Unknown | | 0.0% | | 0.0% | | | | | 14.4% |
| Total | 154 | | 15,827 | | 2,109 | | 86,765 | | |
| 2019 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 87 | 69.0% | 5,597 | 56.1% | 1,059 | 44.8% | 31,176 | 40.5% | 78.6% |
| Rev. > \$1MM | 39 | 31.0% | 4,380 | 43.9% | | | | | 7.3% |
| Rev. Unknown | | 0.0% | | 0.0% | | | | | 14.2% |
| Total | 126 | | 9,977 | | 2,366 | | 76,883 | | |
| 2020 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 150 | 61.0% | 7,310 | 26.3% | 913 | 35.2% | 36,638 | 23.3% | 81.3% |
| Rev. > \$1MM | 96 | 39.0% | 20,433 | 73.7% | | | | | 6.2% |
| Rev. Unknown | | 0.0% | | 0.0% | | | | | 12.5% |
| Total | 246 | | 27,743 | | 2,591 | | 157,578 | | |
| GRAND TOTAL | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 341 | 64.8% | 22,334 | 41.7% | 2,984 | 42.2% | 98,916 | 30.8% | |
| Rev. > \$1MM | 185 | 35.2% | 31,213 | 58.3% | | | | | |
| Rev. Unknown | | 0.0% | | 0.0% | | | | | |
| Total | 526 | | 53,547 | | 7,066 | | 321,226 | | |

Community Development Lending: High Satisfactory

During the evaluation period, BU originated \$29.8 million in new community development loans and had no loans outstanding from prior evaluation periods. This demonstrated a more than reasonable level of community development lending over the course of the evaluation period.²

² For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

| Community Development Loans | | | | |
|-----------------------------|------------------------|---------------|------------------------------------|----------|
| | This Evaluation Period | | Outstandings from Prior Evaluation | |
| Purpose | # of Loans | \$000 | # of Loans | \$000 |
| Affordable Housing | | | | |
| Economic Development | | | | |
| Community Services | 3 | 5,000 | | |
| Revitalize/Stabilize | 4 | 24,750 | | |
| Total | 7 | 29,750 | 0 | 0 |

Below are highlights BU's community development lending:

- In 2018, BU extended a \$10 million line of credit to support the expansion of a brewery located in a low-income census tract in the City of Utica. The expansion of the brewery will create jobs and help to revitalize and stabilize the City of Utica.
- In 2019, the Bank originated a \$8.7 million construction loan to support the renovation of the former Hotel Utica. The project created job opportunities and assisted in the revitalization of the City of Utica. The construction loan was subsequently refinanced by BU in 2020.
- In 2018 and 2019, BU renewed a \$1 million working capital line of credit for a nonprofit organization located in a low-income census tract in the City of Utica. The organization provides assistive services to individuals who are visually impaired. The services provided include pre-school vision screening, educational services, technology training and occupational therapy.
- In 2020, BU originated a \$1 million commercial mortgage for the acquisition of a building in the City of Utica to be utilized as a refugee center. The center assists refugees and immigrants with the immigration and citizenship process, as well as other services that include translation, adult learning and workforce development.

Flexible and/or Innovative Lending Practices:

BU made significant use of flexible or innovative lending practices to support community development.

During the evaluation period, the Bank offered its micro-loan program to assist entrepreneurs and small business owners in its assessment area. These loans are small loans that provide working capital or the acquisition of materials, supplies or equipment. The loans range from \$2,000 to \$20,000 and require the applicant to have completed the New York State Entrepreneurial Assistant Program. BU also extended a \$50,000 revolving line of credit to the New York Business Development Corporation to assist existing and new small businesses in the Bank's assessment area and New York State.

BU's flexible and innovative lending also included 184 PPP loans, totaling \$26.8 million,

evaluated as small business loans in the lending test. These loans aided small businesses affected by the COVID-19 pandemic.

INVESTMENT TEST: High Satisfactory

DFS evaluated BU's investment performance pursuant to the following criteria:

- (1) The dollar amount of qualified investments;*
- (2) The innovativeness or complexity of qualified investments; and*
- (3) The responsiveness of qualified investments to the credit and community development needs of the assessment area.*

BU's qualified investments were more than reasonable in light of the assessment area's credit needs.

Qualified Investments: High Satisfactory

During the evaluation period, BU made \$2.3 million in new qualified investments and had \$13.7 million outstanding from prior evaluation periods. In addition, the Bank made \$528,500 in qualified grants. This demonstrated a more than reasonable level of qualified investments and grants over the course of the evaluation period.

BU's qualified investments primarily revitalized and stabilized low- and moderate-income areas and the grants helped support community services within the assessment area.

| Qualified Investments and Grants | | | | |
|----------------------------------|------------------------|--------------|------------------------------------|---------------|
| | This Evaluation Period | | Outstandings from Prior Evaluation | |
| | # of Inv. | \$000 | # of Inv. | \$000 |
| CD Investments | | | | |
| Affordable Housing | | | | |
| Economic Development | | | | |
| Community Services | | | | |
| Revitalize/Stabilize | 2 | 2,320 | 29 | 13,740 |
| Total | 2 | 2,320 | 29 | 13,740 |
| CD Grants | # of Grants | \$000 | Not Applicable | |
| Affordable Housing | | | | |
| Economic Development | 3 | 42 | | |
| Community Services | 22 | 462 | | |
| Revitalize/Stabilize | 2 | 25 | | |
| Total | 27 | 529 | | |

Below are highlights of qualified investments and grants:

- During the evaluation period, BU purchased two municipal bonds totaling \$2.3 million issued by Oneida County. The bonds helped finance essential public improvement projects in Oneida County's low-income census tracts. Such projects included building renovations, bridge and parking improvements, reconstruction of streets, and various other projects.

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- The Bank made three grants totaling \$210,000 to a not-for-profit healthcare organization located in a low-income census tract in the City of Utica. The organization provides health care services to individuals regardless of their ability to pay through its charity care program.
 - BU contributed \$72,000 to an organization that focuses on health, education and financial stability for those in need. Among the services provided are childcare, housing and homeless services, as well as free tax preparation.
 - The Bank donated \$60,000 to a center that provides a wide range of services to refugees and their families. Located in a low- income census tract in the City of Utica, the center assists refugees and immigrants to achieve independence and self-sufficiency. Services provided include adult learning, employment and workforce development, health access, and interpretation and translation services.
 - BU made grants of \$25,000 to an organization whose mission is to create thriving communities and prosperous neighborhoods by encouraging homeownership and offering homebuyer education classes, financial coaching, foreclosure prevention, and other services. The organization is located in a low-income census tract in Oneida County, and its services help to revitalize low-income areas.

Innovativeness of Qualified Investments:

BU did not use innovative investments to support community development.

Responsiveness of Qualified Investments to Credit and Community Development Needs:

BU's qualified investments exhibited a more than reasonable level of responsiveness to the assessment area's credit and community development needs.

SERVICE TEST: High Satisfactory

DFS evaluated BU's retail service performance pursuant to the following criteria:

- (1) The current distribution of the banking institution's branches;*
- (2) The institution's record of opening and closing branches;*
- (3) The availability and effectiveness of alternative systems for delivering retail services;*
and
- (4) The range of services provided.*

DFS evaluated BU's community development service performance pursuant to the following criteria:

- (1) The extent to which the banking institution provides community development services;*
and
- (2) The innovativeness and responsiveness of community development services.*

Retail Banking Services: High Satisfactory

BU has a more than reasonable branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

Current distribution of the banking institution's branches:

BU is a single branch banking institution located in the City of Utica. The branch also serves as the Bank's headquarters and is in a low-income census tract.

Banking hours are Monday through Friday from 9:00 AM to 5:00 PM. There are two automated teller machines ("ATMs") with one located at the drive-up window and the other in the lobby area. The ATMs are accessible during banking hours with the drive-thru ATM having extended hours on Friday until 5:30 PM.

Record of opening and closing branches:

BU did not open any new branches during the evaluation period.

Availability and effectiveness of alternative systems for delivering retail services:

BU's delivery systems are accessible to portions of the Banks' assessment area, including LMI geographies and individuals.

Alternative systems for delivering the Bank's services to its customers include free online banking and bill payment, free bank-by-mail, free 24-hour telephone banking and surcharge free access to over 55,000 ATMs nationwide through the Allpoint network of ATMs.

Range of services provided:

BU's services meet the convenience and accessibility needs of its assessment area, including LMI geographies and individuals. Below are highlights of BU's retail products and services that benefit LMI individuals, nonprofit organizations, and small businesses.

- The "Personal Checking Account" requires no minimum balance and no monthly service charges. This is an interest-bearing account that allows unlimited deposits and check writing. In addition, customers have access to a variety of free services such as, online banking, bill payment, mobile and 24/7 telephone banking.
- The "Small Business Checking Account" has no annual fees, no minimum balance requirement, no monthly service charge and no ACH transaction fees. Customers have access to free online banking, bill payment and mobile banking.
- The "Tax Exempt Checking Account" is designed for local nonprofit organizations.

This account pays interest, has no annual fees, no minimum balance, and no monthly maintenance and activity charges. Organizations have access to free online banking, bill payment and mobile banking.

- The “Health Savings Account” helps customers save money for future medical expenses and allows funds to remain in the account year after year.

Community Development Services: High Satisfactory

BU provided a relatively high level of community development services. The Board of directors, management and staff participated in 96 community development activities by serving on the board or committees of community development organizations, participating in financial literacy workshops, and providing training to business owners and entrepreneurs.

Below are highlights of BU’s community development services.

- A director serves on the board of a nonprofit organization that serves the needs of individuals who are blind or visually impaired. Located in a low-income census tract in Oneida County, the organization provides vision treatment to help individuals of all ages live safe, productive, and independent lives.
- A director serves on the board of a nonprofit economic development organization that focuses on economic development in Oneida County by helping to grow existing businesses, assist start-up businesses, and help industries to relocate to the area. The organization also links the area’s community development organizations and provides financing in the form of loans, grants, and tax credits.
- An executive vice president is a committee member of a nonprofit agency that was created to assist business development and to advance opportunities and the economic welfare of residents in the City of Utica. The agency provides low-cost financing, incentives, and loan programs to businesses including start-ups.
- A senior officer is the treasurer of a nonprofit organization that provides financial assistance, training, and technical assistance to small business owners, including start-ups, minorities and women-owned businesses. The organization has a micro-loan program that provides working capital for business owners and entrepreneurs in the Bank’s assessment area.
- A senior officer is the treasurer of a nonprofit organization that serves the homeless and needy individuals in the City of Utica. The organization serves several thousand hot meals yearly.

Additional Factors

The following factors were also considered in assessing BU's record of performance.

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

The Bank's board appoints the CRA officer and the board's Discount committee annually appoints a CRA committee. The CRA officer, with the assistance of the CRA committee is responsible for implementing the Bank's CRA policy/program. The CRA officer prepares an annual CRA report for the board noting community development activities such as community development loans, qualified investments, charitable donations, as well as small business lending and other CRA activities that benefit low- and moderate-income individuals.

Discrimination and other illegal practices

- *Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.*

DFS examiners did not note evidence of practices by BU intended to discourage applications for the types of credit offered by BU.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS examiners did not note evidence of prohibited discriminatory or other illegal practices.

Process Factors

- *Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

BU ascertains community credit needs mainly through its involvement with various community organizations in its assessment area. The Bank's directors and management serve on the boards and committees of various community development organizations and participate in financial literacy workshops. In addition, BU employees provide educational programs to refugees in the Utica area, informing them of banking services and products offered by the Bank. In addition, management regularly meets with elected officials at the city, county and state levels to discuss and assess the economic conditions of the area.

- *The extent of the banking institution's marketing and special credit-related programs*

to make members of the community aware of the credit services offered by the banking institution

BU markets its products and services through various media, such as local newspapers, magazines, and radio and television stations that broadcast throughout the Bank's assessment area.

Neither BU nor DFS received any written complaints regarding the Bank's CRA performance during the evaluation period.

Other factors that in the judgment of the Superintendent bear upon the extent to which BU is helping to meet the credit needs of its entire community

During the evaluation period, BU purchased 15 investments, totaling nearly \$5 million, outside the assessment area, but within New York State. The investments, consisting of municipal bonds, were used to finance building renovations, road construction, improvements to police and fire departments, and the purchase of new school buses, which helped provide and maintain education access in school districts that serve low- and moderate-income geographies.

GLOSSARY

Aggregate Lending

“Aggregate lending” means the number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

Community Development

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means a loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving LMI persons;
- Nonprofit organizations serving primarily LMI or other community development needs;

- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

“Community development service” means a service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Community Development Financial Institution (“CDFI”)

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

Geography

“Geography” means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area (“MSA”) or statewide nonmetropolitan median income.

| Income level of individual or geography | % of the area median income |
|--|------------------------------------|
| Low-income | Less than 50 |
| Moderate-income | At least 50 and less than 80 |
| Middle-income | At least 80 and less than 120 |
| Upper-income | 120 or more |

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

LMI Geographies

“LMI geographies” means those census tracts or block numbering areas where, according to the most current U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a MSA or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of Block Numbering Areas (“BNAs”) and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

“LMI borrowers” means borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the Federal Financial Institutions Examination Council (“FFIEC”).

LMI Individuals/Persons

“LMI individuals” or “LMI persons” means individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by the FFIEC.

LMI Penetration Rate

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit (“LIHTC”)

LIHTC were created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low-income Americans. The tax credits provide a dollar-for-dollar reduction in a taxpayer’s federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

Minority Depository Institutions (“MDIs”)

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit (“NMTC”)

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (“CDEs”). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer’s investments to make qualified investments in low-income communities. The Fund is administered by the CDFI Fund, an agency of the United States Department of the Treasury.

Qualified Investment

“Qualified investment” means a lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

Paycheck Protection Program (“PPP”) Loans

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A

small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%.