



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF FIVE STAR BANK

DECEMBER 31, 2024

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

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.

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FIVE STAR BANK – CRA PERFORMANCE EVALUATION

I. - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Five Star Bank (“FSB” 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 Bank’s CRA performance based on an evaluation conducted as of December 31, 2024.

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 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 end of this Evaluation.

II. - OVERVIEW OF INSTITUTION’S PERFORMANCE

The Department evaluated FSB according to the large banking institutions performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The evaluation period included calendar years 2022, 2023 and 2024 for lending activities, and the period from April 1, 2022 to December 31, 2024 for the community development activities. The Department assigned FSB a rating of “2,” indicating a “Satisfactory” record of meeting community credit needs.

This rating is based on the following factors:

A. Lending Test: High Satisfactory

FSB’s HMDA-reportable and small business lending activities were good considering FSB’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.

1. Lending Activity:

FSB’s lending levels were good considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

FSB’s average LTD ratio of 81.5% for the evaluation period was comparable to its peer group’s average LTD ratio of 82.4%.

2. Assessment Area Concentration:

During the evaluation period, FSB originated 93.4% by number and 87.4% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

3. Geographic Distribution of Loans:

FSB’s origination of loans in census tracts of varying income levels demonstrated a good distribution of lending.

FSB’s average HMDA-reportable lending rates in LMI census tracts were well above the aggregate’s lending rates for the evaluation period, while its small business lending rates in LMI census tracts trailed the aggregate’s rates by number but were comparable by dollar value of loans.

4. Distribution by Borrower Characteristics:

FSB’s one-to-four family HMDA-reportable and small business lending demonstrated a good distribution of loans among individuals of different income levels and businesses of different revenue sizes.

FSB’s average HMDA-reportable lending rates to LMI borrowers during the evaluation period were well above the aggregate’s rates, while the Bank’s lending to small businesses with gross

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annual revenue of \$1 million or less exceeded the aggregate's rates by number but trailed by dollar value of loans.

5. Community Development Lending:

During the evaluation period, FSB originated \$92.0 million in new community development loans and had \$25.0 million outstanding from prior evaluation periods. This demonstrated a good level of community development lending over the course of the evaluation period.

B. Investment Test: High Satisfactory

1. Qualified Investments

During the evaluation period, FSB made \$40.6 million in new qualified investments and had \$41.5 million outstanding from prior evaluation periods. In addition, FSB made \$1.3 million in qualified grants. This demonstrated a significant level of qualified investments and grants over the course of the evaluation period.

2. Innovativeness of Qualified Investments:

FSB made occasional use of innovative investments to support community development.

3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

FSB's qualified investments exhibited good responsiveness to the assessment area's credit and community development needs.

C. Service Test: High Satisfactory

1. Retail Banking Services:

FSB has a good branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

FSB's delivery systems are reasonably accessible to significant portions of the Bank's assessment area, including LMI geographies and individuals.

2. Community Development Services:

FSB provided a relatively high level of community development services. Bank directors, officers, managers, and employees served in various capacities as board and/or committee members of several community development organizations and participated in financial literacy programs, providing a total of 152 instances of qualified community development services during the evaluation period.

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.

III. - PERFORMANCE CONTEXT

A. Institution Profile

FSB is a commercial bank headquartered in Warsaw, New York. The Bank is a wholly owned subsidiary of Financial Institutions, Inc. (“FII”), a financial holding company that provides banking and wealth management products through its subsidiaries: Five Star Bank and Courier Capital LLC. Five Star Bank offers consumer and commercial banking and lending services to individuals, municipalities and businesses through banking locations across Western and Central New York. In 2023, FSB opened a commercial loan production office in the Franklin Square neighborhood of Syracuse.

FSB operates 49 banking offices throughout New York State. Supplementing the banking offices is an automated teller machines (“ATMs”) network consisting of 55 machines, including at least one ATM in each branch. FSB is also a member of the Allpoint ATM Network giving its debit card customers access surcharge-free to 55,000 ATMs within the network. In addition, FSB has interactive teller machines (“ITMs”) in several of its branches allowing customers to interact via video chat with Bank representatives to complete basic banking transactions.

FSB offers a suite of personal and business deposit accounts including checking, savings, money markets, certificates of deposit for both retail and commercial customers, and individual retirement accounts. Loan products offered include one-to-four family residential mortgage loans, consumer loans, commercial mortgage and industrial loans, commercial lines of credit, business credit cards, and term loans. Banking services include telephone banking, mobile banking, online banking, cash management, and merchant services.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2024, filed with the Federal Deposit Insurance Corporation (“FDIC”), FSB reported total assets of \$6.1 billion, of which \$4.4 billion were net loans and lease financing receivables. It also reported total deposits of \$5.2 billion, resulting in an LTD ratio of 86% as of December 31, 2024. According to the latest available comparative deposit data as of June 30, 2024, FSB obtained a market share of 5.2% or \$5.2 billion in a market of \$99 billion, ranking it 3rd among 35 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, 2022, December 31, 2023, and December 31, 2024’s Call Reports:

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| TOTAL GROSS LOANS OUTSTANDING | | | | | | |
|--|------------------|------|------------------|------|------------------|------|
| Loan Type | 12/31/2022 | | 12/31/2023 | | 12/31/2024 | |
| | \$000's | % | \$000's | % | \$000's | % |
| 1-4 Family Residential Mortgage Loans | 698,043 | 17.2 | 761,762 | 17.1 | 758,835 | 16.9 |
| Commercial & Industrial Loans | 563,769 | 13.9 | 611,934 | 13.7 | 548,048 | 12.2 |
| Commercial Mortgage Loans | 1,030,782 | 25.4 | 1,038,762 | 23.3 | 1,121,890 | 25.0 |
| Multifamily Mortgages | 302,221 | 7.5 | 412,767 | 9.2 | 430,292 | 9.6 |
| Consumer Loans | 1,038,266 | 25.6 | 993,593 | 22.3 | 887,698 | 19.8 |
| Agricultural Loans | 22,198 | 0.5 | 21,106 | 0.5 | 15,996 | 0.4 |
| Construction Loans | 347,949 | 8.6 | 576,707 | 12.9 | 674,059 | 15.0 |
| Obligations of States & Municipalities | 24,988 | 0.6 | 23,407 | 0.5 | 18,036 | 0.4 |
| Other Loans | 22,775 | 0.6 | 23,471 | 0.5 | 26,630 | 0.6 |
| Loans to commercial banks in the U.S. | 8 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Gross Loans | 4,050,999 | | 4,463,509 | | 4,481,484 | |

As illustrated in the above table, FSB is primarily a commercial lender with 37.2% of its total gross loan portfolio in commercial mortgage loans (25.0%) and commercial & industrial loans (12.2%). One-to-four family residential mortgage loans represented 16.9% of total gross loans. The Bank elected not to have its consumer loans evaluated for the current evaluation period. As of December 31, 2024, consumer loans represented 19.8% of FSB’s gross loan portfolio, a decrease compared to 26.4% recorded at the prior evaluation. Overall, the Bank’s total loan portfolio increased 21.6% between December 31, 2021 and December 31, 2024.

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

B. Assessment Area

Effective January 2024, FSB expanded its assessment area to include Niagara County. This expansion, combined with updates from the 2020 U.S. Census, resulted in an increase in the total number of census tracts in FSB’s assessment area from 675 to 831.

The Bank’s assessment area consists of 18 counties, including parts of Chautauqua County and the following 17 counties in their entirety: Allegany, Cattaraugus, Chemung, Cayuga, Erie, Genesee, Livingston, Monroe, Ontario, Orleans, Schuyler, Seneca, Steuben, Wayne, Wyoming, Yates, and Niagara counties.

Of the 831 census tracts in the Bank’s assessment area, 91 are low-income, 148 are moderate-income, 385 are middle-income, 173 are upper-income, and 34 are tracts with no income indicated.

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| Assessment Area Census Tracts by Income Level | | | | | | | | | |
|---|-----------|-----------|------------|------------|------------|------------|-------------|--------------------------|--------------------|
| County | N/A | Low | Mod | Middle | Upper | Total | LMI % | Distressed & Underserved | LMI & Distressed % |
| Allegany | 1 | 0 | 1 | 14 | 0 | 16 | 6.3 | | 6% |
| Cattaraugus | 1 | 1 | 4 | 17 | 1 | 24 | 20.8 | | 21% |
| Cayuga | 1 | 1 | 4 | 12 | 7 | 25 | 20.0 | | 20% |
| Chautauqua* | 0 | 1 | 5 | 14 | 0 | 20 | 30.0 | | 30% |
| Chemung | 1 | 4 | 4 | 12 | 4 | 25 | 32.0 | | 32% |
| Erie | 10 | 40 | 46 | 102 | 63 | 261 | 33.0 | | 33% |
| Genesee | 0 | 0 | 2 | 10 | 6 | 18 | 11.1 | | 11% |
| Livingston | 2 | 0 | 1 | 14 | 1 | 18 | 5.6 | | 6% |
| Monroe | 10 | 39 | 32 | 67 | 63 | 211 | 33.6 | | 34% |
| Niagara | 3 | 5 | 20 | 27 | 11 | 66 | 37.9 | | 38% |
| Ontario | 0 | 0 | 11 | 20 | 9 | 40 | 27.5 | | 28% |
| Orleans | 2 | 0 | 6 | 6 | 0 | 14 | 42.9 | | 43% |
| Schuyler | 0 | 0 | 1 | 4 | 0 | 5 | 20.0 | 4 | 100% |
| Seneca | 1 | 0 | 0 | 10 | 0 | 11 | 0.0 | | 0% |
| Steuben | 0 | 0 | 3 | 23 | 5 | 31 | 9.7 | | 10% |
| Wayne | 1 | 0 | 7 | 16 | 2 | 26 | 26.9 | | 27% |
| Wyoming | 1 | 0 | 0 | 11 | 0 | 12 | 0.0 | | 0% |
| Yates | 0 | 0 | 1 | 6 | 1 | 8 | 12.5 | | 13% |
| Total | 34 | 91 | 148 | 385 | 173 | 831 | 28.8 | 4 | 29% |

* *Partial county*

C. Demographic & Economic Data

The assessment area had a population of 2,855,003 during the evaluation period. Approximately 17.9% of the population was over the age of 65 and 19.6% was under the age of 16.

Of the 707,039 families in the assessment area, 21.3% were low-income, 17.3% were moderate-income, 20.9% were middle-income and 40.5% were upper-income. There were 1,168,082 households in the assessment area, of which 13.1% had income below the poverty level and 3.3% were on public assistance.

The weighted average median family income in the assessment area was \$80,122.

There were 1,316,184 housing units within the assessment area, of which 83.8% were one- to four-family units and 11.9% were multifamily units. A majority (60%) of the housing units were owner-occupied, 28.7% were rental-occupied units and 11.3% were vacant units.

Of the 789,866 owner-occupied housing units, 17.3% were in LMI census tracts while 82.5% were in middle- and upper-income census tracts. The median age of the housing stock was 64 years, and the weighted average median home value in the assessment area was \$143,600.

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There were 283,125 non-farm businesses in the assessment area. Of these, 88.3% were businesses with reported revenues of less than or equal to \$1 million, 3.5% reported revenues of more than \$1 million and 8.2% did not report their revenues. Of all the businesses in the assessment area, 97.8% were businesses with less than fifty employees while 91.7% operated from a single location. The largest industries in the area were services (33.4%), retail trade (11.1%) and finance, insurance & real estate (9.1%); 26.7% of businesses in the assessment area were not classified.

According to New York State Department of Labor data, the average unemployment rate for New York State was 4.2% during the three-year evaluation period. During the evaluation period, counties in the Bank’s assessment area, except Allegany County, had unemployment rates lower than the statewide unemployment rates.

From 2023 to 2024, unemployment rates increased for all counties except Cattaraugus County. Yates County’s 3-year average unemployment rate (3.2%) was the lowest of all the counties in the assessment area, while Allegany County and New York State had the highest average unemployment rates (4.2%).

| Assessment Area Unemployment Rate | | | | |
|--|------|------|------|------------|
| | 2022 | 2023 | 2024 | 3-year Avg |
| New York State | 4.3 | 4.1 | 4.3 | 4.2 |
| Allegany | 4.0 | 4.2 | 4.3 | 4.2 |
| Cattaraugus | 4.1 | 4.1 | 4.1 | 4.1 |
| Cayuga | 3.5 | 3.5 | 3.7 | 3.6 |
| Chautauqua* | 3.8 | 4.0 | 4.1 | 4.0 |
| Chemung | 3.6 | 3.7 | 3.8 | 3.7 |
| Erie | 3.5 | 3.5 | 3.9 | 3.6 |
| Genesee | 3.2 | 3.2 | 3.4 | 3.3 |
| Livingston | 3.5 | 3.5 | 3.8 | 3.6 |
| Monroe | 3.4 | 3.4 | 3.7 | 3.5 |
| Niagara | 3.8 | 3.9 | 4.2 | 4.0 |
| Ontario | 3.2 | 3.2 | 3.4 | 3.3 |
| Orleans | 3.7 | 3.6 | 3.8 | 3.7 |
| Schuyler | 3.7 | 3.7 | 4.1 | 3.8 |
| Seneca | 3.4 | 3.4 | 3.7 | 3.5 |
| Steuben | 3.6 | 3.8 | 3.9 | 3.8 |
| Wayne | 3.2 | 3.2 | 3.5 | 3.3 |
| Wyoming | 3.4 | 3.6 | 3.7 | 3.6 |
| Yates | 3.1 | 3.1 | 3.3 | 3.2 |

*Partial County

D. Community Information

DFS examiners conducted community contact interviews with representatives of three nonprofit organizations operating in the Bank's assessment area, to acquire more insight into the economic conditions and credit needs of the communities in the assessment area.

The first interview was with the vice president of an organization that focuses on community development and human services. The organization provides affordable housing services for low-income families, affordable loans and technical assistance for small businesses, including startups and those who are not approved for loans by traditional banking institutions. The vice president stated that although there are several credit unions and banking institutions in Rochester, there are other areas, such as rural areas and the sector 10 area in Rochester, where that lack banking institutions, which has resulted in these communities being underserved. The vice president also stated that there are opportunities for local financial institutions to do more by offering flexible loan programs and affordable banking products and services. Furthermore, banks can do more by participating and supporting programs offered by community development organizations such as training and employment, financial literacy for first time-homebuyers, and financial education for both individuals and business owners.

The second interview was conducted with a representative of a nonprofit organization that participates in housing development and restoration, education, neighborhood revitalization, and provides access to affordable housing for its communities. The representative identified affordable mortgage financing as one of the biggest challenges for lower income families. There is a need for more support from financial institutions for affordable housing programs offered by local nonprofit organizations that benefit residents of the entire community, residents in poor areas and in rural areas who may have difficulty accessing financial services. The representative stated that while smaller local financial institutions have participated in the organization's affordable housing programs, larger financial institutions are less likely to participate and remain less involved in affordable housing initiatives, which leaves limited options for the LMI population seeking low-interest rate residential mortgage products.

The third interview was held with the vice president of a nonprofit organization that provides career planning, education and training, job placement, and retention services. These services are provided at little or no cost to individuals with financial need within the Bank's assessment area. The vice president expressed a need for affordable housing, financial literacy and credit counseling programs, as well as ongoing communication and support from financial institutions in the area. Local financial institutions can help by offering affordable lending programs for individuals and small businesses.

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IV. - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated FSB 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 FSB helps to meet the credit needs of its entire community.

DFS derived statistics employed in this Evaluation from various sources. FSB submitted bank-specific information both as part of the Evaluation process and in 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 2020 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS 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 2022, 2023, and 2024 for lending activities and the period from April 1, 2022 to December 31, 2024 for community development activities.

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

HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

Examiners gave greater weight to HMDA-reportable loans as they represented 74% by number and 80% by dollar value of FSB's total HMDA-reportable and small business loans originated within the Bank's assessment area during the evaluation period.

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In its prior Community Reinvestment Act Performance Evaluation as of March 31, 2022, DFS assigned FSB a rating of “2,” or a “Satisfactory” compliance with regulatory standards.

Current CRA Rating: Satisfactory

A. 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.*

FSB’s HMDA-reportable and small business lending activities were good considering FSB’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. FSB’s good level of community development lending for affordable housing, economic development, and revitalization and stabilization purposes demonstrates the Bank’s commitment to meet its community credit needs.

1. Lending Activity:

FSB’s lending levels were good considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

FSB’s average LTD ratio of 81.5% for the evaluation period was comparable to its peer group’s average LTD ratio of 82.4%. The Bank’s average quarterly LTD ratios ranged from a low of 73.7% to a high of 86.0% and were comparable to the peer group’s ratios throughout the evaluation period.

The table below shows FSB’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters of this evaluation period.

| Loan-to-Deposit Ratios | | | | | | | | | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------|
| | 2022 Q1 | 2022 Q2 | 2022 Q3 | 2022 Q4 | 2023 Q1 | 2023 Q2 | 2023 Q3 | 2023 Q4 | 2024 Q1 | 2024 Q2 | 2024 Q3 | 2024 Q4 | Avg. |
| Bank | 73.7 | 77.0 | 77.7 | 80.8 | 81.2 | 85.9 | 82.1 | 84.4 | 81.2 | 85.8 | 81.9 | 86.0 | 81.5 |
| Peer | 72.4 | 76.0 | 78.9 | 82.0 | 82.9 | 84.8 | 85.3 | 85.4 | 85.0 | 86.0 | 85.1 | 84.7 | 82.4 |

2. Assessment Area Concentration:

During the evaluation period, FSB originated 93.4% by number and 87.4% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

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a. HMDA-Reportable Loans:

During the evaluation period, FSB originated 94.2% by number and 88.9% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

b. Small Business Loans:

FSB originated 91.1% by number and 81.7% by dollar value of its small business loans within the assessment area during the evaluation period. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

The following table shows the percentages of FSB’s HMDA-reportable and 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 |
| | # | % | # | % | | \$ | % | \$ | % | |
| HMDA-Reportable | | | | | | | | | | |
| 2022 | 987 | 93.6% | 67 | 6.4% | 1,054 | 132,816 | 91.7% | 12,010 | 8.3% | 144,826 |
| 2023 | 983 | 92.4% | 81 | 7.6% | 1,064 | 327,937 | 92.7% | 25,653 | 7.3% | 353,590 |
| 2024 | 703 | 97.6% | 17 | 2.4% | 720 | 174,509 | 80.6% | 41,945 | 19.4% | 216,454 |
| Subtotal | 2,673 | 94.2% | 165 | 5.8% | 2,838 | 635,262 | 88.9% | 79,608 | 11.1% | 714,870 |
| Small Business | | | | | | | | | | |
| 2022 | 255 | 89.2% | 31 | 10.8% | 286 | 53,366 | 79.7% | 13,558 | 20.3% | 66,924 |
| 2023 | 385 | 88.7% | 49 | 11.3% | 434 | 62,288 | 78.8% | 16,804 | 21.2% | 79,092 |
| 2024 | 278 | 96.5% | 10 | 3.5% | 288 | 38,526 | 90.3% | 4,154 | 9.7% | 42,680 |
| Subtotal | 918 | 91.1% | 90 | 8.9% | 1,008 | 154,180 | 81.7% | 34,516 | 18.3% | 188,696 |
| Grand Total | 3,591 | 93.4% | 255 | 6.6% | 3,846 | 789,442 | 87.4% | 114,124 | 12.6% | 903,566 |

3. Geographic Distribution of Loans:

FSB’s origination of loans in census tracts of varying income levels demonstrated a good distribution of lending.

a. HMDA-Reportable Loans:

The distribution of FSB’s HMDA-reportable loans by the income level of the geography was excellent.

During the evaluation period, FSB’s average HMDA-reportable lending rates in LMI census tracts of 23.8% by number and 24.8% by dollar value of loans, were well above the aggregate’s lending rates of 18.6% and 15.5%, respectively. Additionally, the Bank’s annual lending rates in LMI census tracts exceeded the aggregate’s rates by number and dollar value of loans for all years of the evaluation period.

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The Bank’s HMDA-reportable annual lending rates in LMI census tracts also exceeded the percentage of owner-occupied housing units located in LMI census tracts for each year of the evaluation period.

The following table provides a summary of the distribution of FSB’s HMDA-reportable loans by the income level of the geography where the property was located.

| Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract | | | | | | | | | |
|---|--------------|-------|----------------|-------|------------------|-------|-------------------|-------|---------------|
| 2022 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO HUs |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 69 | 7.0% | 6,624 | 5.0% | 2,398 | 4.2% | 432,750 | 4.0% | 4.0% |
| Moderate | 156 | 15.8% | 18,442 | 13.9% | 7,868 | 13.6% | 1,338,530 | 12.4% | 13.4% |
| LMI | 225 | 22.8% | 25,066 | 18.9% | 10,266 | 17.8% | 1,771,280 | 16.4% | 17.4% |
| Middle | 567 | 57.4% | 71,518 | 53.8% | 28,871 | 50.1% | 4,897,365 | 45.3% | 53.5% |
| Upper | 191 | 19.4% | 35,518 | 26.7% | 18,387 | 31.9% | 4,109,625 | 38.0% | 28.9% |
| Unknown | 4 | 0.4% | 713 | 0.5% | 124 | 0.2% | 43,150 | 0.4% | 0.2% |
| Total | 987 | | 132,815 | | 57,648 | | 10,821,420 | | |
| 2023 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO HUs |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 86 | 8.7% | 18,696 | 5.7% | 2,066 | 4.7% | 262,610 | 3.4% | 4.0% |
| Moderate | 144 | 14.6% | 62,027 | 18.9% | 6,345 | 14.5% | 1,013,315 | 13.0% | 13.4% |
| LMI | 230 | 23.4% | 80,723 | 24.6% | 8,411 | 19.2% | 1,275,925 | 16.4% | 17.4% |
| Middle | 537 | 54.6% | 187,110 | 57.1% | 22,094 | 50.4% | 3,613,720 | 46.4% | 53.5% |
| Upper | 214 | 21.8% | 59,842 | 18.2% | 13,256 | 30.2% | 2,851,700 | 36.6% | 28.9% |
| Unknown | 2 | 0.2% | 261 | 0.1% | 118 | 0.3% | 41,150 | 0.5% | 0.2% |
| Total | 983 | | 327,936 | | 43,879 | | 7,782,495 | | |
| 2024 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO HUs |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 68 | 9.7% | 26,118 | 15.0% | 2,365 | 5.0% | 302,815 | 3.1% | 3.9% |
| Moderate | 112 | 15.9% | 25,388 | 14.5% | 6,754 | 14.2% | 1,031,580 | 10.6% | 13.5% |
| LMI | 180 | 25.6% | 51,506 | 29.5% | 9,119 | 19.1% | 1,334,395 | 13.7% | 17.3% |
| Middle | 368 | 52.3% | 61,060 | 35.0% | 24,239 | 50.9% | 4,167,665 | 42.8% | 53.6% |
| Upper | 154 | 21.9% | 61,814 | 35.4% | 14,166 | 29.7% | 4,189,160 | 43.0% | 28.8% |
| Unknown | 1 | 0.1% | 128 | 0.1% | 121 | 0.3% | 44,675 | 0.5% | 0.2% |
| Total | 703 | | 174,508 | | 47,645 | | 9,735,895 | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | OO HUs |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 223 | 8.3% | 51,438 | 8.1% | 6,829 | 4.6% | 998,175 | 3.5% | |
| Moderate | 412 | 15.4% | 105,857 | 16.7% | 20,967 | 14.1% | 3,383,425 | 11.9% | |
| LMI | 635 | 23.8% | 157,295 | 24.8% | 27,796 | 18.6% | 4,381,600 | 15.5% | |
| Middle | 1,472 | 55.1% | 319,688 | 50.3% | 75,204 | 50.4% | 12,678,750 | 44.7% | |
| Upper | 559 | 20.9% | 157,174 | 24.7% | 45,809 | 30.7% | 11,150,485 | 39.3% | |
| Unknown | 7 | 0.3% | 1,102 | 0.2% | 363 | 0.2% | 128,975 | 0.5% | |
| Total | 2,673 | | 635,259 | | 149,172 | | 28,339,810 | | |

FIVE STAR BANK – CRA PERFORMANCE EVALUATION

b. Small Business Loans:

The distribution of FSB’s small business loans among census tracts of varying income levels was adequate.

FSB’s average small business lending rate in LMI census tracts of 15.3% by number and 19.5% by dollar value of loans, trailed by number but was comparable by dollar value to the aggregate’s average lending rates of 19.5% and 20.6%, respectively.

The following table provides a summary of the distribution of FSB’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 | | | | | | | | | |
|--|-------------|----------|----------------|----------|------------------|----------|------------------|----------|------------------|
| 2022 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus. Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Low | 17 | 7.1% | 5,619 | 11.6% | 2,739 | 6.1% | 100,488 | 6.7% | 7.2% |
| Moderate | 25 | 10.4% | 6,023 | 12.5% | 6,259 | 14.0% | 224,040 | 15.0% | 14.6% |
| LMI | 42 | 17.5% | 11,642 | 24.1% | 8,998 | 20.1% | 324,528 | 21.8% | 21.9% |
| Middle | 149 | 62.1% | 24,067 | 49.8% | 21,346 | 47.7% | 698,895 | 46.8% | 46.2% |
| Upper | 47 | 19.6% | 12,082 | 25.0% | 13,716 | 30.6% | 438,203 | 29.4% | 29.6% |
| Unknown | 2 | 0.8% | 565 | 1.2% | 709 | 1.6% | 30,337 | 2.0% | 2.3% |
| Total | 240 | | 48,356 | | 44,769 | | 1,491,963 | | |
| 2023 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus. Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Low | 17 | 4.5% | 3,805 | 6.2% | 2,494 | 6.0% | 77,185 | 5.7% | 7.4% |
| Moderate | 39 | 10.3% | 6,185 | 10.0% | 5,680 | 13.7% | 193,042 | 14.3% | 14.5% |
| LMI | 56 | 14.9% | 9,990 | 16.2% | 8,174 | 19.7% | 270,227 | 20.0% | 21.9% |
| Middle | 211 | 56.0% | 32,466 | 52.5% | 19,545 | 47.0% | 666,012 | 49.3% | 45.5% |
| Upper | 101 | 26.8% | 17,570 | 28.4% | 13,287 | 32.0% | 388,134 | 28.7% | 30.0% |
| Unknown | 9 | 2.4% | 1,798 | 2.9% | 571 | 1.4% | 27,754 | 2.1% | 2.7% |
| Total | 377 | | 61,824 | | 41,577 | | 1,352,127 | | |
| 2024 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus. Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Low | 5 | 1.9% | 1,360 | 3.6% | 2,583 | 5.5% | 80,042 | 5.6% | 7.9% |
| Moderate | 32 | 12.0% | 5,836 | 15.4% | 6,201 | 13.3% | 203,164 | 14.3% | 15.2% |
| LMI | 37 | 13.9% | 7,196 | 19.0% | 8,784 | 18.8% | 283,206 | 19.9% | 23.2% |
| Middle | 175 | 65.5% | 21,488 | 56.8% | 21,916 | 47.0% | 677,922 | 47.6% | 44.9% |
| Upper | 52 | 19.5% | 8,468 | 22.4% | 15,289 | 32.8% | 432,604 | 30.4% | 29.3% |
| Unknown | 3 | 1.1% | 679 | 1.8% | 632 | 1.4% | 29,877 | 2.1% | 2.7% |
| Total | 267 | | 37,831 | | 46,621 | | 1,423,609 | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus. Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Low | 39 | 4.4% | 10,784 | 7.3% | 7,816 | 5.9% | 257,715 | 6.0% | |
| Moderate | 96 | 10.9% | 18,044 | 12.2% | 18,140 | 13.6% | 620,246 | 14.5% | |
| LMI | 135 | 15.3% | 28,828 | 19.5% | 25,956 | 19.5% | 877,961 | 20.6% | |
| Middle | 535 | 60.5% | 78,021 | 52.7% | 62,807 | 47.2% | 2,042,829 | 47.9% | |
| Upper | 200 | 22.6% | 38,120 | 25.8% | 42,292 | 31.8% | 1,258,941 | 29.5% | |
| Unknown | 14 | 1.6% | 3,042 | 2.1% | 1,912 | 1.4% | 87,968 | 2.1% | |
| Total | 884 | | 148,011 | | 132,967 | | 4,267,699 | | |

4. Distribution by Borrower Characteristics:

FSB’s one-to-four HMDA-reportable and small business lending demonstrated a good distribution of loans among individuals of different income levels and businesses of different revenue sizes.

FIVE STAR BANK – CRA PERFORMANCE EVALUATION

a. One-to-four Family HMDA-Reportable Loans:

FSB's one-to-four family HMDA-reportable lending demonstrated an excellent distribution of loans among individuals of different income levels.

FSB's average rates of lending to LMI borrowers during the evaluation period were 44.8% by number and 30.0% by dollar value of loans, well above the aggregate's rates of 35.5% and 25.0%, respectively. Additionally, FSB's annual rates of lending to LMI borrowers by number of loans exceeded the percentage of LMI families in the assessment area.

The following table provides a summary of the distribution of FSB's one-to-four family loans by borrower income.

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| Distribution of One-to-Four Family Loans by Borrower Income | | | | | | | | | |
|---|--------------|-------|----------------|-------|----------------|-------|-------------------|-------|----------|
| 2022 | | | | | | | | | |
| Borrower | Bank | | | | Aggregate | | | | Fam.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 173 | 17.5% | 15,261 | 11.5% | 6,215 | 10.9% | 578,305 | 6.4% | 21.5% |
| Moderate | 318 | 32.2% | 37,779 | 28.4% | 14,365 | 25.1% | 1,766,365 | 19.5% | 17.3% |
| LMI | 491 | 49.7% | 53,040 | 39.9% | 20,580 | 35.9% | 2,344,670 | 25.9% | 38.8% |
| Middle | 194 | 19.7% | 22,093 | 16.6% | 14,525 | 25.4% | 2,141,185 | 23.6% | 20.9% |
| Upper | 269 | 27.3% | 52,241 | 39.3% | 19,953 | 34.8% | 4,236,985 | 46.7% | 40.3% |
| Unknown | 33 | 3.3% | 5,442 | 4.1% | 2,199 | 3.8% | 346,565 | 3.8% | |
| Total | 987 | | 132,816 | | 57,257 | | 9,069,405 | | |
| 2023 | | | | | | | | | |
| Borrower | Bank | | | | Aggregate | | | | Fam.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 139 | 14.5% | 11,240 | 6.9% | 4,707 | 10.8% | 410,545 | 6.0% | 21.5% |
| Moderate | 256 | 26.7% | 29,997 | 18.3% | 11,049 | 25.3% | 1,333,825 | 19.3% | 17.3% |
| LMI | 395 | 41.2% | 41,237 | 25.2% | 15,756 | 36.1% | 1,744,370 | 25.3% | 38.8% |
| Middle | 189 | 19.7% | 24,748 | 15.1% | 10,995 | 25.2% | 1,602,565 | 23.2% | 20.9% |
| Upper | 338 | 35.3% | 91,581 | 55.9% | 15,135 | 34.7% | 3,272,835 | 47.5% | 40.3% |
| Unknown | 36 | 3.8% | 6,163 | 3.8% | 1,728 | 4.0% | 276,370 | 4.0% | |
| Total | 958 | | 163,729 | | 43,614 | | 6,896,140 | | |
| 2024 | | | | | | | | | |
| Borrower | Bank | | | | Aggregate | | | | Fam.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 95 | 13.8% | 8,789 | 7.1% | 4,620 | 9.8% | 438,430 | 5.4% | 21.3% |
| Moderate | 197 | 28.7% | 22,791 | 18.4% | 11,619 | 24.5% | 1,488,045 | 18.4% | 17.3% |
| LMI | 292 | 42.6% | 31,580 | 25.5% | 16,239 | 34.3% | 1,926,475 | 23.8% | 38.6% |
| Middle | 146 | 21.3% | 18,999 | 15.4% | 12,192 | 25.7% | 1,890,460 | 23.4% | 20.9% |
| Upper | 230 | 33.5% | 69,829 | 56.5% | 16,770 | 35.4% | 3,886,730 | 48.0% | 40.5% |
| Unknown | 18 | 2.6% | 3,217 | 2.6% | 2,171 | 4.6% | 389,305 | 4.8% | |
| Total | 686 | | 123,625 | | 47,372 | | 8,092,970 | | |
| GRAND TOTAL | | | | | | | | | |
| Borrower | Bank | | | | Aggregate | | | | Fam.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 407 | 15.5% | 35,290 | 8.4% | 15,542 | 10.5% | 1,427,280 | 5.9% | |
| Moderate | 771 | 29.3% | 90,567 | 21.6% | 37,033 | 25.0% | 4,588,235 | 19.1% | |
| LMI | 1,178 | 44.8% | 125,857 | 30.0% | 52,575 | 35.5% | 6,015,515 | 25.0% | |
| Middle | 529 | 20.1% | 65,840 | 15.7% | 37,712 | 25.4% | 5,634,210 | 23.4% | |
| Upper | 837 | 31.8% | 213,651 | 50.8% | 51,858 | 35.0% | 11,396,550 | 47.4% | |
| Unknown | 87 | 3.3% | 14,822 | 3.5% | 6,098 | 4.1% | 1,012,240 | 4.2% | |
| Total | 2,631 | | 420,170 | | 148,243 | | 24,058,515 | | |

b. Small Business Loans:

FSB's small business lending demonstrated an adequate distribution of loans among businesses of different revenue sizes.

FSB's average rate of lending to small businesses with gross annual revenue of \$1 million or less

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by number of loans of 57.5% was above the aggregate’s rate of 55.2%, while the Bank’s average rate of lending by dollar value of loans of 32.4% was below the aggregate’s rate of 38.3%.

Both the Bank’s and the aggregate’s average rates of lending to small businesses with gross annual revenue of \$1 million or less trailed the percentage (84.7% - 88.3%) of small businesses with gross annual revenue of \$1 million or less located within the Bank’s assessment area.

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

| Distribution of Small Business Lending by Revenue Size of Business | | | | | | | | | |
|---|-------------|-------|----------------|-------|------------------|-------|------------------|-------|-----------------|
| 2022 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 156 | 65.0% | 19,020 | 39.3% | 23,526 | 52.5% | 573,598 | 38.4% | 84.7% |
| Rev. > \$1MM | 57 | 23.8% | 17,530 | 36.3% | | | | | 4.6% |
| Rev. Unknown | 27 | 11.3% | 11,806 | 24.4% | | | | | 10.7% |
| Total | 240 | | 48,356 | | 44,769 | | 1,491,963 | | |
| 2023 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 185 | 49.1% | 17,730 | 28.7% | 23,634 | 56.8% | 524,127 | 38.8% | 87.4% |
| Rev. > \$1MM | 167 | 44.3% | 38,643 | 62.5% | | | | | 3.8% |
| Rev. Unknown | 25 | 6.6% | 5,451 | 8.8% | | | | | 8.8% |
| Total | 377 | | 61,824 | | 41,577 | | 1,352,127 | | |
| 2024 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 167 | 62.5% | 11,252 | 29.7% | 26,237 | 56.3% | 538,581 | 37.8% | 88.3% |
| Rev. > \$1MM | 85 | 31.8% | 22,234 | 58.8% | | | | | 3.5% |
| Rev. Unknown | 15 | 5.6% | 4,345 | 11.5% | | | | | 8.2% |
| Total | 267 | | 37,831 | | 46,621 | | 1,423,609 | | |
| GRAND TOTAL | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 508 | 57.5% | 48,002 | 32.4% | 73,397 | 55.2% | 1,636,306 | 38.3% | |
| Rev. > \$1MM | 309 | 35.0% | 78,407 | 53.0% | - | | | | |
| Rev. Unknown | 67 | 7.6% | 21,602 | 14.6% | 0 | | | | |
| Total | 884 | | 148,011 | | 132,967 | | 4,267,699 | | |

5. Community Development Lending:

During the evaluation period, FSB originated \$92.0 million in new community development loans and had \$25.0 million outstanding from prior evaluation periods. This demonstrated a good level of community development lending over the course of the evaluation period.

The majority of FSB’s current period community development loans by dollar value were for the purpose of helping to meet affordable housing needs within the Bank’s assessment area.

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| Community Development Loans | | | | |
|------------------------------------|------------------------|-----------------|--|-----------------|
| Purpose | This Evaluation Period | | Outstandings from Prior Evaluation Periods | |
| | # of Loans | \$000 | # of Loans | \$000 |
| Affordable Housing | 8 | \$57,564 | 1 | \$1,056 |
| Economic Development | 3 | \$14,475 | | |
| Community Services | 1 | \$1,400 | 3 | \$4,013 |
| Revitalization/Stabilization | 5 | \$18,592 | 5 | \$19,911 |
| Total | 17 | \$92,031 | 9 | \$24,980 |

Below are highlights of FSB’s community development lending.

- FSB refinanced \$4.875 million (FSB participation amount) of an existing \$17.5 million loan for a 341-room, 17,000 square foot hotel located in downtown Rochester. The hotel has a bar, full-service restaurant, Starbucks, shuttle service and offers several other amenities. Bank financing helped revitalize the area, while retaining and creating job opportunities for LMI individuals.
- FSB financed \$9.0 million in a Low-Income Housing Tax Credit (“LIHTC”) construction loan project during the evaluation period. The project converted a former elementary school into a two-story multifamily apartment building and is estimated to create 39 affordable housing units for LMI individuals and families within the Bank’s assessment area.
- FSB originated a \$2.1 million construction loan for the redevelopment and repurposing of a former post office and courthouse into a commercial space located in a moderate-income census tract in Niagara County. The redevelopment project helped create job opportunities for LMI residents, while supporting revitalization and stabilization efforts.
- FSB extended a \$1.45 million line of credit to a nonprofit organization whose mission is to prepare young people for success through education. The organization offers various programs that include financial literacy, work readiness, entrepreneurship, and in school and after school education programs.

a. Flexible and/or Innovative Lending Practices:

FSB made significant use of flexible or innovative lending practices.

- FSB offers Small Business Administration (“SBA”) loans including the SBA 7(a) loan program which provides term loans to small businesses and the 504 program which offers long-term fixed rate financing for the purchase of major assets, such as land, equipment and building. FSB extended 218 loans totaling \$19.9 million.
- FSB offers Federal Housing Administration (“FHA”) loans which are loans insured by the

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FHA which is part of the United States Department of Housing and Urban Development (“HUD”). FHA loans are specifically tailored for first-time home buyers and have low down payments, low closing costs, and lenient credit score requirements. FSB extended 100 FHA loans totaling \$17.2 million during the evaluation period.

- FSB offers State of New York Mortgage Agency (“SONYMA”) mortgage loan programs to provide affordable homeownership to low and moderate income first-time homebuyers with low-cost financing, low down payments, down-payment assistance and home improvements/renovations. FSB extended 42 loans totaling \$6.8 million.

B. Investment Test: High Satisfactory

The Department evaluated FSB’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.*

1. Qualified Investments

During the evaluation period, FSB made \$40.6 million in new qualified investments and had \$41.5 million outstanding from prior evaluation periods. In addition, FSB made \$1.3 million in qualified grants. This demonstrated a significant level of qualified investments and grants over the course of the evaluation period.

The Bank’s level of qualified investments and grants on an annualized basis for the evaluation period was \$30.3 million, which represented a slight decline from the annualized qualified investments and grants of \$34.4 million for the prior evaluation period.

FSB’s new qualified investments primarily supported revitalization and stabilization initiatives in the assessment area, accounting for 78.8% by number of new qualified investments made during the evaluation period. The Bank invested in municipal bonds issued by villages, towns and school districts within the Bank’s assessment area, funding various projects helping to revitalize and stabilize low- or moderate-income communities and school districts in which the majority of the students were economically-disadvantaged or qualified for free or reduced-price lunch programs. FSB’s new qualified investments also supported LIHTC projects in the assessment area, accounting for 85% by dollar value of new qualified investments made during the evaluation period. Qualified grants primarily supported community services.

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| Qualified Investments and Grants | | | | |
|---|-------------------------------|------------------|---|-----------------|
| | This Evaluation Period | | Outstandings from Prior Evaluation Periods | |
| | # of Inv. | \$000 | # of Inv. | \$000 |
| CD Investments | | | | |
| Affordable Housing | 3 | \$ 34,552 | 47 | \$41,521 |
| Economic Development | | | | |
| Community Services | 8 | \$ 380 | | |
| Revitalization/Stablization | 41 | \$ 5,693 | | |
| Total | 52 | \$ 40,625 | 47 | \$41,521 |
| | | | | |
| CD Grants | # of Grants | \$000 | <i>Not Applicable</i> | |
| Affordable Housing | 7 | \$ 77 | | |
| Economic Development | 2 | \$ 20 | | |
| Community Services | 142 | \$ 1,179 | | |
| Revitalization/Stablization | 3 | \$ 17 | | |
| Total | 154 | \$ 1,293 | | |

Below are highlights of FSB’s qualified investments.

- FSB invested \$14.2 million in a LIHTC investment project during the evaluation period. The project converted four existing buildings into 41 apartment units that will provide affordable housing for LMI individuals and families within the Bank’s assessment area. The properties are located in low-income census tracts in the City of Elmira.
- During the evaluation period, FSB invested in municipal bonds totaling \$6.1 million. The bonds, issued by local towns, villages, municipalities, and school districts, helped finance various community infrastructure projects, the purchase/repair of emergency and utility services vehicles, as well as the purchase of school buses for school districts where a majority of the students qualify for the free or reduced-price lunch program.

Below are highlights of FSB’s qualified grants.

- FSB made grants totaling \$70,000 to a nonprofit organization that addresses and alleviates hunger through a food distribution program designed to assist individuals and neighborhoods in need. The organization’s food programs include nutrition and cooking workshops, home-delivered meals, and various other services and programs that benefit low-income residents.
- FSB made grants totaling \$60,000 to an organization that provides economically disadvantaged students the tools, support, guidance and resources they need to achieve academic goals. The organization’s community development initiatives, such as distribution of new school supplies, books, and hygiene products, are provided free of charge to students in need.

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- FSB made grants totaling \$50,000 to a nonprofit Community Development Financial Institution (“CDFI”) whose mission is to create housing opportunities for the underserved in the Bank’s assessment area. The funds support the preservation of affordable housing for low-income and disadvantaged individuals and families, as well as community development projects and initiatives that benefit underserved communities.
- FSB made grants totaling \$34,500 to a nonprofit organization that empowers minorities and individuals in underserved communities to achieve economic self-reliance, health, and quality of life through programs such as youth education, housing and community development, homeownership education, first-time homebuyer assistance, job training, and small business assistance program.

2. Innovativeness of Qualified Investments:

FSB made occasional use of innovative investments to support community development.

3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

FSB’s qualified investments exhibited good responsiveness to the assessment area’s credit and community development needs.

C. Service Test: High Satisfactory

The Department evaluated FSB’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.

The Department evaluated FSB’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.

1. Retail Banking Services:

FSB has a good branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

a. Current distribution of the banking institution’s branches:

FSB has an adequate distribution of branches within its assessment area.

FSB operates 49 branches within its assessment area of which nine (18%) are located in LMI

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census tracts. Eight branches are located adjacent to LMI tracts, and 22 branches are in non-MSA or rural areas.

| Distribution of Branches within the Assessment Area | | | | | | | | | |
|---|-------|-------|------------|----------|---------|---------|-------|---------------------------|-----------------------------------|
| County | N/A # | Low # | Moderate # | Middle # | Upper # | Total # | LMI % | Distressed or Underserved | LMI and Distressed or Underserved |
| Allegany** | | | | 1 | | 1 | 0% | | 0% |
| Cayuga** | | 1 | | | | 1 | 100% | | 100% |
| Cattaraugus** | | 1 | 1 | 2 | 1 | 5 | 40% | | 40% |
| Chemung | | 1 | 1 | | | 2 | 100% | | 100% |
| Erie | | | 1 | 2 | 3 | 6 | 17% | | 17% |
| Genesee** | | | | 2 | | 2 | 0% | | 0% |
| Livingston | | | | 4 | 1 | 5 | 0% | | 0% |
| Monroe | | 1 | | 5 | 2 | 8 | 13% | | 13% |
| Ontario | | | 2 | | 2 | 4 | 50% | | 50% |
| Orleans | | | | 2 | | 2 | 0% | | 0% |
| Seneca** | | | | 2 | | 2 | 0% | | 0% |
| Steuben** | | | | 4 | 1 | 5 | 0% | | 0% |
| Wyoming** | | | | 4 | | 4 | 0% | | 0% |
| Yates** | | | | 1 | 1 | 2 | 0% | | 0% |
| Total | - | 4 | 5 | 29 | 11 | 49 | 18% | - | 18% |

** Non MSA

b. Record of opening and closing branches:

FSB's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, including LMI geographies and/or LMI individuals.

During the evaluation period, FSB operated 49 full-service branches. The Bank did not open or close any branches but added Niagara County to its assessment area, which has a total of 66 census tracts as of January 2024.

- In January 2023, FSB opened a commercial loan production office in the Franklin Square neighborhood of Syracuse, serving Central New York businesses.

c. Availability and effectiveness of alternative systems for delivering retail services:

FSB's delivery systems are reasonably accessible to significant portions of the Bank's assessment area, including LMI geographies and individuals.

- Five Star Bank Mobile Application – The application requires a smart device and allows FSB customers 24-hour access to digital banking.
- Website – The Bank's website provides information on products and services as well as 24-hour access to digital banking.
- Allpoint ATMs – FSB partnered with Allpoint Network to offer its customers access to

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55,000 ATMs, making cash access quick, easy and surcharge-free to its customers.

- Night drop facility – Available at most FSB branches, consumers and businesses have access to FSB’s night drop services.

d. Range of services provided:

FSB’s services meet the convenience and accessibility needs of its assessment area, including LMI geographies and individuals.

Each of the 49 FSB branches has at least one automated teller machine (ATM) and all ATMs accept deposits. Branch hours are generally from Monday through Thursday from 9:00AM to 4:00 PM and Friday 9:00AM to 6:00PM. The Bank offers hours on Saturdays from 9:00AM to 12:00PM at several of its locations.

FSB offers various retail products that benefit LMI individuals and small businesses, including the “Progress Checking” and “Total Value Business Checking” accounts. The Progress Checking Account gives FSB customers access to online banking with a low minimum account balance and has no overdraft fees or monthly service charges. The Total Value Business Checking is designed for small business owners who have lower balances and transaction levels on a monthly basis. Additionally, the Bank offers a residential loan program such as the “Home for You Mortgage” and “Neighborhood Mortgage Loan” specifically tailored to assist first-time homebuyers and LMI borrowers.

2. Community Development Services:

FSB provided a relatively high level of community development services. Bank directors, officers, managers, and employees served in various capacities as board and/or committee members of several community development organizations and participated in financial literacy programs, providing a total of 152 instances of qualified community development services during the evaluation period.

| Community Development Services | |
|---|-----------------------------|
| Activity Type | Number of Activities |
| On-Going Board & Committee Memberships | 118 |
| Technical Assistance | 13 |
| Seminars | |
| Credit Counseling/Financial Literacy | 14 |
| Other Services | 7 |
| Total Community Development Services | 152 |

Below are highlights of FSB’s community development services.

- The Chief Legal Officer and Corporate Secretary of FSB serves on the board of a nonprofit

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organization that seeks to address hunger and food insecurity experienced by low-income families. The organization provides access to food and nutrition programs, making them available to all individuals and families in need.

- The Chief Marketing Officer of the Bank serves on the board of a nonprofit organization that works with young people to help them achieve self-sufficiency through work readiness, entrepreneurship, and financial literacy.
- A loan officer of the Bank serves as a member of the board of directors of an organization whose mission is that everyone has access to high quality, safe, affordable housing. The organization promotes affordable housing for low- and moderate-income individuals and families by participating in new home construction, housing repair, and rehabilitation of existing properties.
- A director of the Bank serves on the board of an organization that provides training, technical assistance, access to affordable loan programs for small business owners, including startups and minority- and women-owned businesses, as well as residential lending products for underserved individuals and communities.

D. Additional Factors

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

1. 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.

FSB's Board of Directors oversees the Bank's CRA program, ensuring that its efforts align with regulatory requirements and community needs. The CRA Officer is responsible for developing, implementing, and managing all aspects of the CRA policy and program. The Bank Compliance Committee provides oversight of compliance policies, procedures, and monitors CRA goals and changes to the Bank's assessment area. Annually, the Board of Directors approves the CRA policy and program and receives an update on the Bank's CRA performance at least three times a year. As part of evaluating its CRA performance, the Bank performs annual CRA self-assessments and reports the results to the Bank Compliance Committee. The most recent self-assessment was performed in 2025.

2. 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 practices by FSB intended to discourage applications for the types of credit offered by FSB.

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

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

3. 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.*

FSB ascertains the credit needs of its community through its involvement with various community groups within the assessment area. As part of these efforts, bank directors, senior bank officers, and branch managers serve on boards and committees of various community development organizations providing financial and technical assistance. These activities help the Bank to ascertain the credit needs of its community and make the community aware of existing and new credit products and services offered by FSB.

- *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.*

FSB advertises its products and services through multiple outreach methods, including cable television, digital media, print publications, radio promotions, and outdoor advertising. Additional communication channels include bank statement messages, targeted consumer and business smart ads, email campaigns, direct mail, and newsletters.

- *Action Taken in Response to Written Complaints with Respect to CRA*

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

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

DFS examiners noted no other factors.

V - 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 (DFS multifamily industry letter www.dfs.ny.gov/industry_guidance/industry_letters/il20141204_guidelines_bank_lending_multifamily_properties_cra_updated);

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- 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.

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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.

Fair Market Rents (“FMRs”)

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

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 |

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.

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%. The program officially ended May 31, 2021.

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;

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- 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.

Small Business Loan

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