



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: March 31, 2016

Institution: Elmira Savings Bank
333 East Water Street
Elmira, New York 14901

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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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Elmira Savings Bank (“ESB”) 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 March 31, 2016.

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 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 the 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 twelve 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

ESB was evaluated according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent. This evaluation period included calendar years 2013, 2014, 2015 and January 1, 2016 through March 31, 2016. ESB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:** "Outstanding"

ESB's average LTD ratio was excellent considering its size, business strategy, financial condition and peer group activity.

During the evaluation period, ESB's average LTD ratio was 98.4%, ranging from a high of 102.3% for the first quarter of 2016 to low of 94.3% for the first quarter of the evaluation period, March 2013.

- **Assessment Area Concentration:** "Satisfactory"

ESB originated 81.2% by number, and 81.7% by dollar value of its total HMDA-reportable, small business and consumer loans within its assessment area. This majority of lending inside of its assessment area is a reasonable record of lending.

- **Distribution by Borrower Characteristics:** "Satisfactory"

ESB's distribution of loans based on its lending to low- and moderate-income individuals and to small businesses with gross annual revenues of \$1.0 million or less demonstrated a reasonable rate of lending.

- **Geographic Distribution of Loans:** "Satisfactory"

ESB's distribution of loans based on lending in low- and moderate-income census tracts demonstrated a reasonable level of lending.

- **Action Taken in Response to Written Complaints with Respect to CRA:** "Not Rated"

Since the prior CRA evaluation, as of December 31, 2012, neither ESB nor DFS received any written complaints regarding ESB's CRA performance.

Community Development Test (Loans, Investments, and Services): “Satisfactory”

ESB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering ESB’s capacity and the need and availability of such opportunities for community development in its assessment area.

- **Community Development Loans: “Satisfactory”**

During the evaluation period, ESB originated \$2.1 million in new community development loans, and had \$849,532 outstanding from prior evaluation periods, totaling \$2.9 million. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

- **Community Development Qualified Investments: “Satisfactory”**

During the evaluation period, ESB made \$110,000 in new community development investments, and had \$6.6 million outstanding from prior evaluation period. In addition, ESB made \$251,630 in community development grants, which totaled ESB’s qualified community development investment activities to \$7.0 million. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

- **Community Development Services: “Satisfactory”**

ESB demonstrated a reasonable level of community development services over the course of the evaluation period.

- **Innovative or Complex Practices:**

ESB made use of innovative investments to support community development during the evaluation period through loan participations with another bank to support a development project in the City of Syracuse.

- **Responsiveness to Credit and Community Development Needs:**

ESB demonstrated a reasonable level of responsiveness to credit and community development needs through community development loans and investments in its assessment area, particularly in Elmira. ESB offers various flexible lending programs to address the affordable housing needs of its assessment area.

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 Part 76 of the General Regulations of the Superintendent.

PERFORMANCE CONTEXT

Institution Profile

ESB is a New York State-chartered savings bank headquartered in Elmira, New York. Established in 1869 as Southern Tier Savings Bank, it changed its name to its current name in 1983. ESB is a publicly traded stock savings bank. It has two wholly-owned subsidiaries: ESB Realty Corp., which operates as a real estate investment trust, and ESB Advisory Services, Inc., which offers financial services products and financial planning advisory services.

ESB offers various business and personal banking products serving the cities of Elmira and Ithaca including the surrounding communities of the Southern Tier and central New York region. ESB has offices in Chemung, Tompkins, Steuben, Cayuga and Schuyler counties, and has loan production offices in Tompkins and Broome counties.

Per the Consolidated Report of Condition (the "Call Report") as of March 31, 2016, filed with the Federal Deposit Insurance Corporation ("FDIC"), ESB reported total assets of \$560.2 million, of which \$452.9 million were net loans and lease financing receivables. It also reported total deposits of \$444.6 million, resulting in a loan-to-deposit ratio of 101.9%.

According to the available comparative deposit data, as of June 30, 2015, ESB had a market share of 8.0% or \$440.6 million in a market of \$5.5 billion, ranking it 5th among twenty deposit-taking institutions in its assessment area. However, in Chemung County where ESB is headquartered, of the seven deposit-taking institutions, ESB is ranked 2nd with a market share of 26.7% or \$268.5 million of \$1.0 billion in deposits.

The following is a summary of the ESB's loan portfolio, based on Schedule RC-C of ESB's December 31, 2013, 2014, 2015 and March 31, 2016 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2013		2014		2015		3/31/2016	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res Mtge Loans	261,464	66.9	284,225	62.4	309,187	67.3	311,186	67.8
Commercial & Industrial Loans	24,052	6.2	24,397	5.4	20,732	4.5	18,752	4.1
Commercial Mortgage Loans	65,881	16.8	61,977	13.6	65,921	14.4	67,588	14.7
Multifamily Mortgages	5,046	1.3	5,369	1.2	8,132	1.8	11,793	2.6
Consumer Loans	29,066	7.4	31,192	6.9	35,855	7.8	34,712	7.6
Construction Loans	5,466	1.4	10,986	2.4	15,170	3.3	14,934	3.3
Other Loans	64	0.0	63	0.0	140	0.0	192	0.0
Total Gross Loans	391,039		418,209		455,137		459,157	

As illustrated in the above table, majority or 70.4% of ESB's loans are in residential

real estate (67.8% in 1-4 residential mortgage and 2.6% in multifamily mortgage), followed by commercial loans at 18.8%, comprising of commercial and industrial at 4.1% and commercial mortgage at 14.7%.

ESB operates thirteen full service branches, of which six are in Chemung, three in Tompkins, two in Steuben, one in Schuyler, and one in Cayuga County. In addition, ESB has two loan production offices in Tompkins and Broome counties. Of the thirteen full service branches, one is in a low-income census tract which is where ESB's main office is located, and three are in moderate-income geographies. All branches are supported by automated teller machines for deposit and withdrawal transactions.

Examiners found no evidence of financial or legal impediments that that had an adverse impact on ESB's ability to meet the credit needs of its community.

Assessment Area

The ESB's assessment area is comprised of all or parts of Cayuga, Chemung, Schuyler, Seneca, Steuben, and Tompkins counties.

There are eighty-seven census tracts in the area, of which three are low-income, thirteen are moderate-income, fifty-four are middle-income, fifteen are upper-income and two are tracts with no income indicated. Of the fifty-four middle-income census tract, four are in middle-income distressed or underserved geographies which are all located in Schuyler County.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Dis-tressed & Under-served	LMI & Dis-tressed %
Cayuga*	0	0	0	2	2	4	0.0		0%
Chemung	1	2	6	9	4	22	36.4		36%
Schuyler	0	0	0	4	1	5	0.0	4	80%
Seneca*	0	0	0	3	0	3	0.0		0%
Steuben	0	0	3	25	2	30	10.0		10%
Tompkins	1	1	4	11	6	23	21.7		22%
Total	2	3	13	54	15	87	18.4	4	23%

*Partial county

Demographic & Economic Data

The assessment area had a population of 338,336 during the evaluation period, of

which, 13.7% of the population were over the age of 65 and 86.3% were under the age of sixteen.

Of the 81,923 families in the assessment area, 19.7% were low-income, 18.2% were moderate-income, 21.8% were middle-income, and 40.3% were upper-income families. There were 132,027 households in the assessment area, of which 13.9% had incomes below the poverty level and 2.6% were on public assistance.

The weighted average median family income in the assessment area was \$60,485.

There were 150,744 housing units within the assessment area, of which 78.7% were one-to-four family units, and 10.1% were multifamily units. A majority (78.7%) of the area's housing units were 1-4 family units, while 30.5% were rental units. Of the 89,268 owner-occupied housing units, 13.1% were in low- and moderate-income census tracts, while 86.9% were in middle- and upper-income census tracts. The median age of the housing stock was 58 years, and the median home value in the assessment area was \$114,855.

There were 17,166 non-farm businesses in the assessment area. Of these, 75.0% were businesses with reported revenues of less than or equal to \$1.0 million; 5.1% reported revenues of more than \$1.0 million; and 19.9% did not report their revenues. Of all the businesses in the assessment area 88.9% were businesses with less than fifty employees and 85.7% operated from a single location. The largest industries in the assessment area were services (48.3%), retail trade (15.0%), agriculture, forestry & fishing (7.4%), and 2.9% of the businesses were not classified.

During the evaluation period, according to the New York State Department of Labor, the average unemployment rates peaked in 2013 for New York State and in all counties of the assessment area. Schuyler County had the highest of 8.8% in 2013, followed by Steuben at 8.4%. However, in years 2014 and 2015, the rates started to decrease with New York State falling to 5.3% in 2015. Schuyler County fell to 6.6%. Tompkins County had the lowest unemployment rates during the evaluation period, averaging 4.6%.

Assessment Area Unemployment Rate							
	Statewide	Cayuga	Chemung	Schuyler	Seneca	Steuben	Tompkins
2013	7.7%	7.4%	7.9%	8.8%	6.9%	8.4%	5.2%
2014	6.3%	6.0%	6.3%	7.0%	5.6%	6.9%	4.4%
2015	5.3%	5.4%	5.9%	6.6%	5.2%	6.4%	4.1%
Average	6.4%	6.3%	6.7%	7.5%	5.9%	7.2%	4.6%

Community Information

To find out more about the banking and credit needs of the assessment area, two nonprofit organizations were interviewed for this evaluation. One builds and rehabs

affordable housing in Chemung County and the other is a nationally affiliated, but locally managed organization which is the largest non-government funder of health and human services in Steuben and Chemung counties.

According to the interviewees, 29.0% of the City of Elmira's population lives in poverty. They also noted that the city has older housing stock, and these are the homes that lower-income families are buying, but are unable to repair or maintain.

While homes are generally affordable in Elmira, outside the city the housing is more expensive because of the natural gas production (fracking) activities in nearby Pennsylvania which drove the demand, both for rental and purchased properties. While the gas production activities have recently decreased, rental prices have not gone down.

Local banks are engaged in the community and are responsive to the credit needs of the assessment area, though more could be done. Currently, affordable housing remains a primary need, particularly for low- and moderate-income families. One contact also noted that some local housing projects in Corning and other Steuben County communities utilize the federal low-income housing tax credit designed to provide affordable housing for low-income working families and individuals.

According to both contacts, ESB is active in their communities, and supports nonprofit organizations through memberships, charitable grants and contributions.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated ESB under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent, which consist of the lending test and the community development test.

The lending test includes:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

The community development test includes:

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

The following factors were also considered 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.*

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

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. 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.

For HMDA-reportable, small business and consumer lending data, the evaluation period

included calendar years 2013, 2014, and 2015. For community development activities, the evaluation period included 2013, 2014, 2015 and January 1, 2016 through June 30, 2016.

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

Small business loan aggregate data are shown for comparative purposes. ESB is not required to report this data. As such ESB is not included in the aggregate data. As ESB did not make any small farm loans, all analyses were based on small business lending only.

HMDA-reportable, small business and consumer loan data evaluated in this performance evaluation represented actual originations.

At ESB's request, consumer data were evaluated. Aggregate consumer data are not available for comparative purposes.

For this evaluation, HMDA-reportable lending was given greater weight as it represented majority or 82.6% of ESB's total lending by dollar volume. Small business and consumer loans accounted for 10.3% and 7.1%, respectively.

At its **prior** Performance Evaluation, as of December 31, 2012, DFS assigned ESB a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

ESB's HMDA-reportable, small business and consumer lending activities were reasonable considering the market aggregate and peer group activity and the demographics of the assessment area.

Loan-to-Deposit ("LTD") Ratio and other Lending-Related Activities: "Outstanding"

ESB's average LTD ratio was more than reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

For the thirteen quarters of the evaluation period, ESB's average LTD ratio of 98.4% was 21.2% above its peer group's average ratio of 77.2%. ESB's ratios ranged from a low of 94.3% to a high of 102.3%, while its peer's ratios ranged from 73.2% to 80.1%, respectively.

The table below shows ESB's LTD ratios in comparison with its peer group's ratios for the thirteen quarters since the prior evaluation.

Loan-to-Deposit Ratios														
	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	Avg.
Bank	94.3	96.4	96.5	97.1	98.5	98.2	100.1	97.9	97.8	99.0	99.7	102.1	102.3	98.4
Peer	73.2	74.8	75.1	75.8	74.8	77.0	77.6	78.3	77.4	79.3	79.8	80.1	80.0	77.2

Assessment Area Concentration: “Satisfactory”

During the evaluation period, ESB originated 81.2% by number, and 81.7% by dollar value of its total HMDA-reportable, small business and consumer loans within its assessment area. This majority of lending inside of its assessment area is a reasonable record of lending.

HMDA-Reportable Loans:

During the evaluation period, ESB originated 83.3% by number, and 83.3% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of ESB’s assessment area is a satisfactory record of lending.

Small Business Loans:

During the evaluation period, ESB originated 92.1% by number, and 73.4% by dollar value of its small business loans within the assessment area. This percentage of lending inside of ESB’s assessment area is a satisfactory record of lending.

Consumer Loans:

During the evaluation period, ESB’s originated 78.3% by number, and 77.0% by dollar value of its consumer loans within the assessment area. This majority of lending inside of its assessment area is a satisfactory record of lending.

The following table shows the percentages of the ESB’s small business, consumer and HMDA-reportable 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										
2013	1,009	88.9%	126	11.1%	1,135	106,064	87.0%	15,867	13.0%	121,931
2014	776	83.5%	153	16.5%	929	89,653	84.7%	16,140	15.3%	105,793
2015	835	77.1%	248	22.9%	1,083	89,497	77.9%	25,347	22.1%	114,844
Subtotal	2,620	83.3%	527	16.7%	3,147	285,214	83.3%	57,354	16.7%	342,568
Small Business										
2013	68	94.4%	4	5.6%	72	8,989	94.8%	498	5.2%	9,487
2014	53	91.4%	5	8.6%	58	10,031	87.4%	1,441	12.6%	11,472
2015	54	90.0%	6	10.0%	60	16,497	60.2%	10,907	39.8%	27,404
Subtotal	175	92.1%	15	7.9%	190	35,517	73.4%	12,846	26.6%	48,363
Consumer										
2013	656	83.5%	130	16.5%	786	7,024	79.2%	1,849	20.8%	8,873
2014	732	80.4%	178	19.6%	910	7,927	79.0%	2,101	21.0%	10,028
2015	912	73.5%	329	26.5%	1,241	9,797	73.9%	3,459	26.1%	13,256
Subtotal	2,300	78.3%	637	21.7%	2,937	24,748	77.0%	7,409	23.0%	32,157
Grand Total	5,095	81.2%	1,179	18.8%	6,274	345,479	81.7%	77,609	18.3%	423,088

Distribution by Borrower Characteristics: "Satisfactory"

ESB's distribution of loans based on borrower characteristics demonstrated a reasonable rate of lending to individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

ESB's HMDA-reportable lending demonstrated a reasonable distribution of loans among borrowers of different income levels.

For the current evaluation period, ESB's rate of lending to LMI borrowers was 31.2% by number of loans and 21.3% by dollar value. This record of lending is slightly greater than its peer group's average rates of 30.4% and 18.8%, respectively.

The following table provides a summary of the distribution of ESB's HMDA-reportable loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2013									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	74	7.6%	4,700	4.6%	480	7.3%	25,767	3.7%	19.6%
Moderate	221	22.7%	18,510	18.1%	1,384	21.1%	106,645	15.1%	18.2%
LMI	295	30.3%	23,210	22.7%	1,864	28.4%	132,412	18.8%	37.8%
Middle	289	29.6%	27,897	27.3%	1,729	26.4%	157,564	22.4%	21.8%
Upper	373	38.3%	49,962	48.8%	2,749	41.9%	383,692	54.4%	40.4%
Unknown	18	1.8%	1,287	1.3%	216	3.3%	31,002	4.4%	0.0%
Total	975		102,356		6,558		704,670		
2014									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	74	9.9%	3,823	5.1%	544	9.5%	24,175	4.3%	19.7%
Moderate	167	22.2%	12,174	16.2%	1,266	22.2%	83,851	15.0%	18.2%
LMI	241	32.1%	15,997	21.3%	1,810	31.7%	108,026	19.4%	37.9%
Middle	203	27.0%	18,731	25.0%	1,511	26.4%	124,869	22.4%	21.8%
Upper	295	39.3%	39,247	52.3%	2,233	39.1%	299,300	53.7%	40.3%
Unknown	12	1.6%	1,013	1.4%	159	2.8%	25,378	4.6%	0.0%
Total	751		74,988		5,713		557,573		
2015									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	80	9.8%	3,896	4.5%	602	9.8%	26,348	4.2%	19.7%
Moderate	177	21.8%	12,950	15.0%	1,328	21.6%	87,579	14.0%	18.2%
LMI	257	31.6%	16,846	19.6%	1,930	31.3%	113,927	18.2%	37.9%
Middle	233	28.7%	22,482	26.1%	1,640	26.6%	142,211	22.7%	21.8%
Upper	309	38.0%	45,765	53.1%	2,427	39.4%	338,964	54.2%	40.3%
Unknown	14	1.7%	1,013	1.2%	164	2.7%	30,426	4.9%	0.0%
Total	813		86,106		6,161		625,528		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	228	9.0%	12,419	4.7%	1,626	8.8%	76,290	4.0%	
Moderate	565	22.3%	43,634	16.6%	3,978	21.6%	278,075	14.7%	
LMI	793	31.2%	56,053	21.3%	5,604	30.4%	354,365	18.8%	
Middle	725	28.6%	69,110	26.2%	4,880	26.5%	424,644	22.5%	
Upper	977	38.5%	134,974	51.2%	7,409	40.2%	1,021,956	54.1%	
Unknown	44	1.7%	3,313	1.3%	539	2.9%	86,806	4.6%	
Total	2,539		263,450		18,432		1,887,771		

Small Business Loans:

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

During the evaluation period, ESB originated 65.7% by number and 56.8% by dollar value of its small business loans to businesses with gross annual revenues of \$1 million or less,

compared to the aggregate's 53.1% and 50.0%, respectively. ESB surpassed the aggregate in every year of the evaluation.

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

Distribution of Small Business Lending by Revenue Size of Business									
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	42	61.8%	5,583	62.1%	1,823	52.1%	83,415	49.1%	71.9%
Rev. > \$1MM	12	17.6%	1,066	11.9%	1,674	47.9%	86,537	50.9%	4.4%
Rev. Unknown	14	20.6%	2,340	26.0%	0	0.0%	0	0.0%	23.7%
Total	68		8,989		3,497		169,952		
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	32	60.4%	4,779	47.6%	1,974	50.0%	90,215	48.8%	70.7%
Rev. > \$1MM	14	26.4%	4,321	43.1%	1,971	50.0%	94,548	51.2%	5.0%
Rev. Unknown	7	13.2%	931	9.3%	0	0.0%	0	0.0%	24.3%
Total	53		10,031		3,945		184,763		
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	41	75.9%	9,824	59.6%	2,213	56.9%	97,906	51.9%	75.0%
Rev. > \$1MM	6	11.1%	3,028	18.4%	1,673	43.1%	90,719	48.1%	5.1%
Rev. Unknown	7	13.0%	3,645	22.1%	0	0.0%	0	0.0%	19.9%
Total	54		16,497		3,886		188,625		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. < = \$1MM	115	65.7%	20,186	56.8%	6,010	53.1%	271,536	50.0%	
Rev. > \$1MM	32	18.3%	8,415	23.7%	5,318	46.9%	271,804	50.0%	
Rev. Unknown	28	16.0%	6,916	19.5%	0	0.0%	0	0.0%	
Total	175		35,517		11,328		543,340		

Consumer Loans:

ESB's consumer lending demonstrated a reasonable distribution of loans among borrowers of different income levels.

During the evaluation period, ESB originated 53.1% by number and 45.2% by dollar value of its consumer loans to LMI individuals. This exceeded the LMI demographic of 40.0% for the evaluation period, as well as in each year of the evaluation.

The following table provides a summary of ESB's consumer lending distribution based on borrowers of different income levels during the evaluation period.

Distribution of Consumer Lending by Borrower Income					
2013					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	140	21.3%	1,139	16.2%	23.9%
Moderate	194	29.6%	1,958	27.9%	16.3%
LMI	334	50.9%	3,097	44.1%	40.2%
Middle	187	28.5%	2,059	29.3%	18.1%
Upper	99	15.1%	1,443	20.5%	41.7%
Unknown	36	5.5%	425	6.1%	
Total	656		7,024		
2014					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	184	25.1%	1,657	20.9%	23.7%
Moderate	198	27.0%	2,032	25.6%	16.3%
LMI	382	52.2%	3,689	46.5%	40.0%
Middle	191	26.1%	2,154	27.2%	18.0%
Upper	135	18.4%	1,789	22.6%	42.0%
Unknown	24	3.3%	295	3.7%	
Total	732		7,927		
2015					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	235	25.8%	1,907	19.5%	23.7%
Moderate	271	29.7%	2,488	25.4%	16.3%
LMI	506	55.5%	4,395	44.9%	40.0%
Middle	222	24.3%	2,561	26.1%	18.0%
Upper	149	16.3%	2,315	23.6%	42.0%
Unknown	35	3.8%	526	5.4%	
Total	912		9,797		
GRAND TOTAL					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	559	24.3%	4,703	19.0%	
Moderate	663	28.8%	6,478	26.2%	
LMI	1,222	53.1%	11,181	45.2%	
Middle	600	26.1%	6,774	27.4%	
Upper	383	16.7%	5,547	22.4%	
Unknown	95	4.1%	1,246	5.0%	
Total	2,300		24,748		

Geographic Distribution of Loans: "Satisfactory"

ESB's distribution of loans based on lending in LMI census tracts demonstrated a reasonable level of lending in low- and moderate-income census tracts.

HMDA-Reportable Loans:

The distribution of ESB's HMDA-reportable loans among census tracts of different income levels was reasonable. During the evaluation period, ESB originated 17.7% by number

and 11.0% by dollar value of its HMDA-reportable loans to individuals in LMI census tracts, which exceeded the aggregate's rates of 12.0% and 7.7%, respectively.

Additionally, ESB's lending distribution was comparable to the LMI owner-occupied household demographic during the evaluation period.

The following table provides a summary of the ESB's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2013									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	0.6%	181	0.2%	33	0.5%	2,830	0.4%	0.8%
Moderate	161	16.0%	11,796	11.1%	754	10.8%	58,055	7.4%	12.3%
LMI	167	16.6%	11,977	11.3%	787	11.3%	60,885	7.7%	13.1%
Middle	554	54.9%	59,768	56.4%	4,328	62.0%	448,484	56.8%	65.8%
Upper	288	28.5%	34,319	32.4%	1,863	26.7%	279,931	35.5%	21.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	1,009		106,064		6,978		789,300		
2014									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	1.5%	309	0.3%	46	0.8%	1,814	0.2%	0.8%
Moderate	152	19.6%	10,025	11.2%	715	11.8%	49,579	6.4%	12.3%
LMI	164	21.1%	10,334	11.5%	761	12.5%	51,393	6.6%	13.1%
Middle	431	55.5%	50,925	56.8%	3,891	64.0%	359,081	46.1%	65.8%
Upper	180	23.2%	28,199	31.5%	1,428	23.5%	367,633	47.2%	21.0%
Unknown	1	0.1%	195	0.2%	1	0.0%	195	0.0%	0.0%
Total	776		89,653		6,081		778,302		
2015									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	0.8%	182	0.2%	35	0.5%	1,509	0.2%	0.8%
Moderate	127	15.2%	8,832	9.9%	766	11.7%	66,442	8.6%	12.3%
LMI	134	16.0%	9,014	10.1%	801	12.3%	67,951	8.8%	13.1%
Middle	467	55.9%	49,042	54.8%	4,151	63.6%	396,592	51.5%	65.8%
Upper	234	28.0%	31,441	35.1%	1,574	24.1%	305,613	39.7%	21.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	835		89,497		6,526		770,156		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	25	1.0%	672	0.2%	114	0.6%	6,153	0.3%	
Moderate	440	16.8%	30,653	10.7%	2,235	11.4%	174,076	7.4%	
LMI	465	17.7%	31,325	11.0%	2,349	12.0%	180,229	7.7%	
Middle	1,452	55.4%	159,735	56.0%	12,370	63.2%	1,204,157	51.5%	
Upper	702	26.8%	93,959	32.9%	4,865	24.8%	953,177	40.8%	
Unknown	1	0.0%	195	0.1%	1	0.0%	195	0.0%	
Total	2,620		285,214		19,585		2,337,758		

Small Business Loans:

The distribution of ESB's small business loans among census tracts of varying income levels was reasonable. ESB originated 30.9% by number and 27.7% by dollar value of its small business loans to businesses in LMI census tracts during the evaluation period. These rates were greater than the aggregate's rates of 20.0% and 25.2%, respectively, and higher than the business demographic of 20.8% in 2015.

The following table provides a summary of ESB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2013									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	2.9%	170	1.9%	139	4.0%	9,834	5.8%	4.0%
Moderate	15	22.1%	1,813	20.2%	588	16.8%	33,575	19.8%	16.3%
LMI	17	25.0%	1,983	22.1%	727	20.8%	43,409	25.5%	20.3%
Middle	24	35.3%	3,388	37.7%	1,993	57.0%	81,965	48.2%	57.7%
Upper	27	39.7%	3,618	40.2%	777	22.2%	44,578	26.2%	22.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.1%
Total	68		8,989		3,497		169,952		
2014									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	5.7%	286	2.9%	126	3.2%	9,085	4.9%	4.0%
Moderate	16	30.2%	4,951	49.4%	652	16.5%	34,581	18.7%	16.6%
LMI	19	35.8%	5,237	52.2%	778	19.7%	43,666	23.6%	20.5%
Middle	21	39.6%	2,170	21.6%	2,292	58.1%	95,447	51.7%	57.1%
Upper	13	24.5%	2,624	26.2%	870	22.1%	45,631	24.7%	22.3%
Unknown	0	0.0%	0	0.0%	5	0.1%	19	0.0%	0.1%
Total	53		10,031		3,945		184,763		
2015									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	13.0%	745	4.5%	134	3.4%	10,507	5.6%	3.9%
Moderate	11	20.4%	1,879	11.4%	627	16.1%	39,546	21.0%	17.0%
LMI	18	33.3%	2,624	15.9%	761	19.6%	50,053	26.5%	20.8%
Middle	18	33.3%	5,032	30.5%	2,248	57.8%	94,486	50.1%	57.0%
Upper	18	33.3%	8,841	53.6%	876	22.5%	44,078	23.4%	22.0%
Unknown	0	0.0%	0	0.0%	1	0.0%	8	0.0%	0.1%
Total	54		16,497		3,886		188,625		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	6.9%	1,201	3.4%	399	3.5%	29,426	5.4%	
Moderate	42	24.0%	8,643	24.3%	1,867	16.5%	107,702	19.8%	
LMI	54	30.9%	9,844	27.7%	2,266	20.0%	137,128	25.2%	
Middle	63	36.0%	10,590	29.8%	6,533	57.7%	271,898	50.0%	
Upper	58	33.1%	15,083	42.5%	2,523	22.3%	134,287	24.7%	
Unknown	0	0.0%	0	0.0%	6	0.1%	27	0.0%	
Total	175		35,517		11,328		543,340		

Consumer Loans:

ESB's distribution of consumer loans by the income level of the geography where the borrower was located was reasonable. During the evaluation period, ESB originated 20.2% by number and 19.7% by dollar value of its consumer loans in LMI census tracts. These ratios exceeded the LMI demographic of 17.0% for the evaluation period. The following table provides a summary of ESB's consumer lending distribution based on geographies of different income levels during the evaluation period.

Distribution of Consumer Lending by Geographic Income of the Census Tract					
2013					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	12	1.8%	135	1.9%	1.9%
Moderate	132	20.1%	1,301	18.5%	15.1%
LMI	144	22.0%	1,436	20.4%	17.0%
Middle	342	52.1%	3,680	52.4%	61.0%
Upper	170	25.9%	1,908	27.2%	22.0%
Unknown	0	0.0%	0	0.0%	0.0%
Total	656		7,024		
2014					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	6	0.8%	69	0.9%	1.9%
Moderate	151	20.6%	1,422	17.9%	15.1%
LMI	157	21.4%	1,491	18.8%	17.0%
Middle	391	53.4%	4,330	54.6%	61.0%
Upper	184	25.1%	2,106	26.6%	22.0%
Unknown	0	0.0%	0	0.0%	0.0%
Total	732		7,927		
2015					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	14	1.5%	127	1.3%	1.9%
Moderate	150	16.4%	1,820	18.6%	15.1%
LMI	164	18.0%	1,947	19.9%	17.0%
Middle	533	58.4%	5,552	56.7%	61.0%
Upper	215	23.6%	2,298	23.5%	22.0%
Unknown	0	0.0%	0	0.0%	0.0%
Total	912		9,797		
GRAND TOTAL					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	32	1.4%	331	1.3%	
Moderate	433	18.8%	4,543	18.4%	
LMI	465	20.2%	4,874	19.7%	
Middle	1,266	55.0%	13,562	54.8%	
Upper	569	24.7%	6,312	25.5%	
Unknown	0	0.0%	0	0.0%	
Total	2,300		24,748		

Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor ESB received any CRA related complaints during the evaluation period.

Community Development Test: “Satisfactory”

ESB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments, and services, considering ESB’s capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, ESB originated \$2.1 million in new community development loans, and had \$849,532 outstanding from prior evaluation periods. Also, during the evaluation period, ESB made \$110,000 in new community development investments (with \$6.6 million outstanding from prior evaluation periods), and made new grants of \$251,630.

Community Development Lending: “Satisfactory”

During the evaluation period, ESB originated \$2.1 million in new community development loans, and had \$849,532 outstanding from prior evaluation periods, totaling \$2.9 million. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development				
Community Services	9	1,967	3	850
Revitalize/Stabilize	1	100		
Total	10	2,067	3	850

Below are highlights of ESB’s community development lending.

ESB originated all its community development loans to organizations located in Elmira, N.Y. The two largest borrowers were nonprofit organizations, funded primarily by New York State government agencies through Medicaid program reimbursements, and provided services in the assessment area.

- In 2013, ESB originated a \$400,000 working capital line of credit for a nonprofit organization. ESB renewed the line for two years, totaling \$1.2 million in qualified community development loans. This nonprofit organization, located in a low-

income census tract in the City of Elmira, provides various mental health programs, regardless of one's inability to pay. ESB also extended a \$390,000 commercial construction line of credit for the purchase and renovation of a property located in a moderate-income census tract, to be used as an additional facility.

- In 2014, ESB granted two term loans totaling \$317,172 to a local nonprofit organization that provides residential and day programs for adult clients with developmental disabilities. The organization is headquartered in Elmira and is located in a moderate-income census tract. The funds were used to refinance and purchase service vehicles to be used to transport its clients.
- In 2013, ESB extended a \$20,000 line of credit, for an additional two years (for a total of \$60,000), to a nonprofit organization whose mission is to provide and deliver quality meals to people who cannot, or do not have the ability to prepare their own meals.

Community Development Investments: "Satisfactory"

During the evaluation period, ESB made \$110,000 in new community development investments, and had \$6.6 million outstanding from prior evaluation periods. In addition, ESB made \$251,630 in community development grants, for a total of \$7.0 million in investment and grant activity. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing			1	236
Economic Development	1	110	1	24
Community Services			5	5,728
Revitalize/Stabilize			1	611
Total	1	110	8	6,599
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	3	1		
Economic Development	6	36		
Community Services	39	180		
Revitalize/Stabilize	3	35		
Total	51	252		

Below are highlights of ESB's community development investments and grants:

Investments

- During the prior evaluation periods, ESB invested in four bond participations with total outstanding \$3.8 million as of March 2016. These bonds were issued by a

local county economic development corporation established as a not-for-profit county development corporation. Its main purpose is to relieve and reduce unemployment, promote employment, and maintain job opportunities in the community. Funds were used for the construction of a community college student housing facility, where 87.0% of the student population receive student aid.

- ESB purchased a revenue bond issued by a local county Industrial development agency (“IDA”) to fund acquisition of land and building in Elmira, NY located in a low-income census tract. The agency, a public benefit corporation, has as its primary purpose to promote and assist private sector industrial development opportunities, and advance job opportunities in Chemung County. As of March 2016, ESB’s investment had an outstanding balance of \$610,716.
- ESB purchased a revenue bond to finance a project for the only licensed assisted living facility in Chemung County. This facility also offers other health services, such as: post hospital recuperation, medication assistance and supervision, and medical transportation. The bond had an outstanding balance of \$1.9 million as of March 2016.

Grants

- ESB awarded two grants, totaling \$11,000, to a local college located in a moderate-income census tract, where more than 90.0% of the students receive financial aid. The grants were used to support classroom projects and for student council activities.
- A nationally affiliated, locally managed nonprofit organization received three grants totaling \$69,500. This organization is the largest non-government funder of health and human services in Steuben and Chemung counties. Another similar organization, serving Tompkins County received a \$15,000 grant.
- ESB supported a community revitalization project in Schuyler County through its contributions to an economic development agency. ESB gave three grants in the total amount of \$15,000 which supported the improvement and protection of Seneca Lake/Chemung Canal water quality, job growth, local tourism, and waterfront revitalization.

Community Development Services: “Satisfactory”

ESB demonstrated a reasonable level of community development services over the course of the evaluation period.

In 2014 and 2015, ESB sponsored two Home Buyer’s Seminars in the assessment area which was designed to help individuals toward home purchasing. In addition, there were nine ESB personnel who provided financial and banking expertise to nine nonprofits, and civic and community organizations in the assessment area. Of the nine individuals, seven

were in leadership positions as board members, treasurers or directors of these organizations.

The following are examples of ESB's community development services:

- ESB's president and CEO is a board member of a regional economic development agency which is a public/private partnership that helps in planning, promoting and implementing economic programs in Chemung County. ESB's president and CEO is also a board member of a development corporation, whose mission is to create an environment for commercial and industrial investment, promote local and regional employment opportunities, and create a diverse and stable economic base through business retention, expansion, and new business development.
- During the evaluation period, two ESB employees were volunteers in an IRS sponsored income tax program offering free tax help and assistance to LMI individuals, persons with disabilities, the elderly, and people who need assistance in preparing their tax returns.
- Two ESB's employees are involved in a regional loan program providing financial and technical assistance for start-up and expanding businesses in the region. One ESB branch manager is a member of the board while a commercial loan officer is a director of this program.
- An ESB branch administrator is a board member of a downtown development organization that provides technical and financial assistance for the improvement and revitalization of the downtown Elmira business district. An ESB business banking officer also volunteers with this organization.

Innovativeness of Community Development Investments:

ESB used innovative investments to support community development during the evaluation period through its mortgage participation with another bank to support a project in City of Syracuse.

Responsiveness to Community Development Needs:

ESB demonstrated a reasonable level of responsiveness to credit and community development needs through its community development loans and investments in its assessment area, particularly in Elmira, where majority of the city's census tracts are LMI geographies.

ESB utilizes flexible loan programs. Some examples are as follows:

- ESB's First Home Buyer program offers up to 97.0% financing, closing cost assistance, no maximum income limits, and no up-front fees. From 2013 to 2015,

ESB made 297 loans, totaling \$33.7 million.

- The Federal Housing Administration Loan program is designed to help first-time homebuyers and experienced homeowners by providing them with a low-down payment option. The mortgage is guaranteed by the government, and borrowers with less than perfect credit can apply. ESB originated 477 loans totaling \$53.9 million.
- ESB also offers a U.S. Department of Agriculture (“USDA”) mortgage loan program. This program requires no down payment, has better rates and down payment options, and has flexible credit guidelines. Basic qualifications include that the property must be in a rural area as defined by the USDA, must be owner-occupied and must meet the income restrictions for the county where the property is located. ESB extended 79 loans totaling \$19.9 million.
- ESB was named one of the top Small Business Administration (“SBA”) 7(a) lenders in 2014 and 2015. This small business lending program offers businesses more flexible underwriting criteria, and the loans are guaranteed by the SBA.

Additional Factors

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.

ESB’s board reviews the bank’s CRA performance through progress reports provided by the CRA officer. In addition, ESB performs a self-assessment of CRA lending activities which is reported to the ESB’s board. In 2014 and 2015, ESB’s board reviewed and reaffirmed its CRA Policy.

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 ESB intended to discourage applications for the types of credit offered by ESB.

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

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

Record of opening and closing offices and providing services at offices

ESB opened two full service branches and one limited service office, and closed one limited service office during the evaluation period.

In January 2013, ESB opened a branch in Painted Post, NY which is in an upper-income census tract in Steuben County. In September of the same year, ESB opened a loan production office in Vestal, NY in Broome County located in upper-income census tract.

In March 2015, ESB opened a full-service branch in Watkins Glen, NY in Schuyler County, located in a nonmetropolitan middle-income geography designated as a distressed or underserved census tract.¹ In April 2015, the ESB closed its limited service branch in Schuyler County, which was also located in a nonmetropolitan middle-income geography designated as a distressed or underserved census tract. In April 2016, the ESB closed its loan production office in Homer, NY in Cortland County.

The following table summarizes ESB’s branch locations by county and census tracts.

Distribution of Branches within the Assessment Area								
County	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	Distressed or Underserved	LMI and Distressed or Underserved
Cayuga*	0	0	0	1	1	0%		0%
Chemung	1	2	1	2	6	50%		50%
Schuyler	0	0	1	0	1	0%	1	100%
Steuben	0	0	1	1	2	0%		0%
Tompkins	0	1	1	1	3	33%		33%
Total	1	3	4	5	13	31%	1	38%

*Partial county

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.

Through various community partnerships and involvement in its community, ESB ascertains the credit and banking needs of its assessment area. Some of these are nonprofit organizations, small business organizations, local schools, and foundations. In addition, ESB’s personnel are members of local and regional economic development corporations, and local downtown development corporations.

- 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

ESB uses various media outlets to inform its communities of the various banking and credit services it offers. ESB advertises in local and regional newspapers, mass mailings and outdoor advertising. ESB also uses its internet website and other social media outlets.

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

ESB purchased a loan participation in the amount of \$2.5 million from another local bank that acted as the lead bank in the financing. This loan, while outside ESB's assessment area, was issued by a city level industrial development agency for the renovation of an existing structure located in a low-income census tract. This property is also in a declared urban renewal area by the City of Syracuse. The project will provide for office and commercial space. The City of Syracuse is the nearest metropolitan area to ESB's assessment area.

¹ A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) An unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of five percent or more over the five-year period preceding the most recent census. A middle-income nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center so that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

GLOSSARY

Aggregate Penetration Rate

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.

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. 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;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

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 low or moderate income (“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

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.

Geography

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

Home Mortgage Disclosure Act (“HMDA”)

The 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 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.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 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 Metropolitan Statistical Area ("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 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

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 U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

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 HUD.

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, 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. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they 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.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate 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 US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

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.