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: December 31, 2017

Institution: Bank of Akron
46 Main Street
Akron, NY 14001

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 the Bank of Akron ("BOA") prepared by the New York State Department of Financial Services ("DFS" or the "Department"). This evaluation represents the Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2017.

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 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 12 assessment factors contained in Section 28-b of the New York Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated BOA according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2015, 2016, and 2017. BOA is rated **"Satisfactory"** or "2." This rating means BOA had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

LENDING TEST: Satisfactory

Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"

BOA's average loan-to-deposit ("LTD") ratio was excellent considering its size, business strategy, financial condition and peer group activity. For the 12 quarters of the evaluation period, BOA's average LTD ratio of 89.3% exceeded its peer group's ratio of 79.7%.

Assessment Area Concentration: "Outstanding"

During the evaluation period, BOA originated 89.1% by number and 85.4% by dollar value of its total HMDA-reportable and small business loans within its assessment area. This substantial majority of lending reflects an excellent concentration of lending within the bank's assessment area.

Distribution by Borrower Characteristics: "Needs to Improve"

BOA's HMDA-reportable lending demonstrated a poor distribution of loans among individuals of different income levels. However, its small business loan distribution to businesses of different revenue sizes was excellent.

BOA's 1-4 family residential mortgage lending rates were very poor, and its rates of lending to LMI borrowers trended downward during the evaluation period. However, BOA's small business average rate of lending of 76% to businesses with gross annual revenues of $1 million or less outperformed its market aggregate's rate of 49%.

Geographic Distribution of Loans: "Satisfactory"

BOA's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. While the bank's HMDA-reportable lending rates within LMI geographies outperformed its market aggregate's lending, its small business lending rates were less than adequate.

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor BOA received any written complaints regarding the bank's CRA performance 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.

PERFORMANCE CONTEXT

Institution Profile

Established in 1900, BOA is a New York state-chartered bank headquartered in the Village of Akron in Erie County. The village is located about 25 miles east of Buffalo and 50 miles west of Rochester.

BOA offers various retail and commercial banking services, including consumer, residential, and commercial loans, through its five full-service banking offices which are located on the outskirts of the City of Buffalo. Three offices are in middle-income census tracts in Akron and Lancaster, and two are in upper-income census tracts in the Town of Clarence.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2017, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOA reported total assets of $321.2 million, of which $255.6 million were net loans and lease financing receivables. It also reported total deposits of $277.7 million, resulting in a LTD ratio of 92%. According to the latest available comparative deposit data as of June 30, 2017, Akron had a market share of 0.7%, or $270.7 million in a market of $2.8 billion, ranking it 10th among 18 deposit-taking institutions in the assessment area.

The following is a summary of BOA’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2015, 2016, and 2017 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
	12/31/2015		12/31/2016		12/31/2017	
Loan Type	$000's	%	$000's	%	$000's	%
Construction Loans	8,029	3.1	8,398	3.2	9,639	3.7
Agricultural Loans	385	0.1	357	0.1	326	0.1
1-4 Family Residential Mortgage Loans	72,933	27.9	82,262	31.5	93,223	35.7
Multifamily Mortgages	7,088	2.7	4,199	1.6	5,118	2.0
Commercial Real Estate	92,781	35.5	108,862	41.7	110,270	42.2
Commercial & Industrial Loans	31,934	12.2	35,555	13.6	40,827	15.6
Consumer Loans	2,523	1.0	2,040	0.8	1,901	0.7
Other Loans	30	0.0	32	0.0	34	0.0
Total Gross Loans	215,703		241,705		261,338	

As illustrated in the above table, BOA is primarily a commercial lender; the majority (57.8%) of the bank’s loan portfolio as of December 31, 2017 was commercial real estate and commercial & industrial loans. Residential mortgages and multifamily mortgage loans represented 37.7% of BOA’s total gross loans as of December 31, 2017.

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

Assessment Area

BOA's assessment area includes all of Erie County and parts of Genesee and Niagara counites. BOA's assessment area changed since its prior evaluation to include all of Erie County due to the bank's considerable increase in 1-4 family residential mortgage lending (investor-based loans) in the western part of Erie County.

There are 253 census tracts in the assessment area, of which 38 are low-income, 44 are moderate-income, 100 are middle-income, and 62 are upper-income; nine tracts had no income indicated. LMI census tracts constituted 32.4% of all tracts in BOA's assessment area which is a significant increase from 7.1% at the prior evaluation. Thirty-eight low-income census tracts and 39 moderate-income census tracts were newly included in BOA's assessment area for the current evaluation.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Erie	8	38	41	90	60	237	33.3
Niagara*	1	0	3	7	2	13	23.1
Genesee*	0	0	0	3	0	3	0.0
Total	9	38	44	100	62	253	32.4

*Partial counties

Demographic & Economic Data

The assessment area had a population of 982,911 during the evaluation period. Approximately 16.2% of the population were over the age of 65, and 18.3% were under the age of sixteen.

Of the 246,016 families in the assessment area, 22% were low-income, 16.5% were moderate-income, 20.1% were middle-income, and 41.4% were upper-income. There were 407,564 households in the assessment area, of which 14.6% had income below the poverty level and 3% were on public assistance. The weighted average median family income in the assessment area was $70,944.

There was a total of 448,110 housing units within the assessment area, of which 85.8% were 1-4 family units, and 12.4% were multifamily units. A majority (59.3%) of the area's housing units were owner-occupied, while 31.4% were rental units. Of the 140,805 rental housing units, 43.1% were in LMI census tracts while 56.4% were in middle- and upper-income census tracts. Of the 266,759 owner-occupied housing units, 18% were in LMI census tracts and 82% were in middle- and upper-income census tracts. The median age of the housing stock was 61 years, and the median home value in the assessment area was $128,660.

There were 55,045 non-farm businesses in the assessment area. Of these, 79.8% were businesses with reported revenues of less than or equal to $1 million, 7.7% reported revenues of more than $1 million and 12.6% did not report their revenues. Of all the businesses in the assessment area, 95.7% were businesses with less than fifty employees while 85.9% operated from a single location. The largest industries in the area were services (46.9%), retail trade (15.1%), and finance, insurance & real estate (7.3%); 7.4% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the unemployment rate for New York State during the evaluation period ranged from a high of 5.3% to a low of 4.7%, resulting in a three-year average rate of 4.9%. Erie and Niagara counties exhibited rates above the statewide average rate. Niagara County had the highest average rate of 6.1%, while Genesee County's average unemployment rate of 4.8% was slightly below the statewide average rate.

Assessment Area Unemployment Rate				
	Statewide	Erie	Niagara	Genesee
2015	5.3	5.3	6.2	4.9
2016	4.8	4.9	5.8	4.6
2017	4.7	5.2	6.2	4.9
Average	4.9	5.1	6.1	4.8

Community Information

DFS examiners interviewed a local village official as a part of this evaluation to determine how BOA performs in trying to meet the credit and banking needs of the communities in its assessment area. The interviewee had positive comments about Akron and noted that there have been improvements in the business climate throughout the years, especially with recent additional hiring of workers by the local manufacturers in the village (Niagara Label, Whitings, Perry's, and Akron Rulers). The school district is another major employer. The interviewee also noted that there are opportunities in the area for financial literacy that, if offered by local banks, could help LMI borrowers and small businesses in the area to support growth.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated BOA under the small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the following lending test criteria:

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

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. *Evidence of practices intended to discourage credit applications;*
3. *Evidence of prohibited discriminatory or other illegal credit practices;*
4. *The institution's 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, DFS considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which BOA helps meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. BOA submitted bank-specific information both as part of the evaluation process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the BOA'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 demographic 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 were 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 2015, 2016, and 2017.

Examiners considered BOA's HMDA-reportable and small business loans in evaluating factors (2), (3), and (4) of the lending test noted above, both of which were equally weighted.

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

BOA is not required to report small business loan data, so the bank's small business data is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

Since BOA did not make small farm loans, DFS based all analyses on small business lending only.

At its **prior** Performance Evaluation, as of December 31, 2014, DFS assigned BOA a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of the bank's communities.

Current CRA Rating: "Satisfactory"

LENDING TEST: "Satisfactory"

BOA's HMDA-reportable and small business lending activities were reasonable in light of its 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.

BOA recently added Erie County in its entirety (237 census tracts compared to the prior 64 census tracts) to its assessment area. BOA does not have any branches in the City of Buffalo where 28% of the county's population resides. Additionally, BOA faces stiff competition from regional, national, and larger banks and mortgage lenders in the City of Buffalo. Therefore, while some areas of the bank's CRA performance were below its aggregate's and assessment area's demographics, overall, considering these factors, and equally weighting the bank's lending products, BOA's CRA performance is considered reasonable.

Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"

BOA's average LTD ratio is reasonable considering its size, business strategy, and financial condition, as well as the lending activity of its peer group and the demographic characteristics and credit needs of its assessment area.

For the 12 quarters of the evaluation period, BOA's average LTD ratio was 89.3% which was higher than its peer group's ratio of 79.7%. Both BOA's and its peer group's ratios trended upward. BOA's ratios ranged from a low of 86.6% in the third quarter of 2015 to a high of 92.7% in the third quarter of 2017; its peer group's ratios ranged from a low of 77.8% in the first quarter of 2015 to a high of 82.2% in the last quarter of 2017.

BOA's current average LTD ratio increased by 6.8%, when compared to the prior evaluation ratio of 82.5%. Its peer group's LTD ratio improved by 4% compared to the same period

.
The table below shows BOA's LTD ratios in comparison with its peer group's ratios during the evaluation period.

Loan-to-Deposit Ratios													
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	**Avg.**
Bank	86.7	88.3	86.6	87.8	87.3	88.2	88.9	92.2	90.2	90.6	92.7	92.0	89.3
Peer	77.8	79.0	78.6	78.7	77.9	79.1	79.4	78.9	80.4	81.7	82.1	82.2	79.7

Assessment Area Concentration: **"**Outstanding"

During the evaluation period, BOA originated 89.1% by number and 85.4% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This substantial majority of lending reflects an excellent concentration of lending within BOA's assessment area.

During the evaluation period, BOA originated 87.4% by number and 83.9% by dollar value of its HMDA-reportable loans within its assessment area, while for small business loans the results were 90.8% and 87%, respectively.

The following table shows the percentages of BOA's HMDA-reportable and small business loans originated inside and outside of its 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										
2015	106	88.3%	14	11.7%	120	16,579	86.3%	2,639	13.7%	19,218
2016	100	84.7%	18	15.3%	118	18,071	76.0%	5,691	24.0%	23,762
2017	91	89.2%	11	10.8%	102	19,864	90.3%	2,137	9.7%	22,001
Subtotal	297	87.4%	43	12.6%	340	54,514	83.9%	10,467	16.1%	64,981
Small Business										
2015	102	91.9%	9	8.1%	111	15,290	88.6%	1,963	11.4%	17,253
2016	112	89.6%	13	10.4%	125	18,209	83.5%	3,605	16.5%	21,814
2017	111	91.0%	11	9.0%	122	18,546	89.2%	2,242	10.8%	20,788
Subtotal	325	90.8%	33	9.2%	358	52,045	87.0%	7,810	13.0%	59,855
Grand Total	622	89.1%	76	10.9%	698	106,559	85.4%	18,277	14.6%	124,836

***** DFS based its analysis of HMDA-reportable and small business lending on actual number loans.

Distribution by Borrower Characteristics: "Needs to Improve"

BOA's 1-4 HMDA-reportable lending demonstrated a poor distribution of loans among individuals of different income levels. However, its small business loan distribution to businesses of different revenue sizes was excellent.

BOA's 1-4 residential mortgage rates of lending were very poor based on the declining lending trend to LMI borrowers during the evaluation period, compared to its market aggregate's rates of lending. However, its average rate of lending to businesses with annual revenues of $1 million or less outperformed its aggregate's rate of lending.

HMDA-Reportable Loans

BOA's 1-4 residential mortgage lending demonstrated a poor distribution of loans among individuals of different income levels.

BOA's rates of 1-4 family residential mortgage lending to LMI borrowers trended downward during the evaluation period, both in total number and dollar value of loans. BOA's lending declined from 98 loans in 2015 to 82 loans in 2017, and BOA originated only seven loans to low-income borrowers during the evaluation period. BOA's rates of lending to low-income borrowers of 2.6% by number and 0.7% by dollar value of loans compared unfavorably with its aggregate's rates of 8.8% and 4.3%, respectively. In addition, BOA made only 33 loans to moderate-income borrowers, or 12.1% by number and 7.8% by dollar value of loans, compared to its aggregate's rates of 23.5% and 16%, respectively.

During the evaluation period, the aggregate's average rates of lending to LMI borrowers of 32.3% by number and 20.3% by dollar value of loans were more than twice BOA's rates of lending of 14.7% and 8.5%, respectively. The assessment area's LMI family demographic during the evaluation period was 38.5%. A substantial majority of the LMI population of BOA's assessment area resides in Erie County, which the bank added in its entirety to its assessment area during this evaluation period.

The following table provides a summary of the distribution of Akron's 1-4 family residential mortgage loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2015									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	5	5.1%	246	1.6%	1,450	9.6%	93,867	4.7%	21.6%
Moderate	11	11.2%	1,072	7.1%	3,735	24.8%	340,070	17.1%	17.1%
LMI	16	16.3%	1,318	8.7%	5,185	34.5%	433,937	21.8%	38.7%
Middle	27	27.6%	4,169	27.6%	3,858	25.6%	468,653	23.5%	20.5%
Upper	39	39.8%	7,897	52.3%	5,167	34.3%	955,769	47.9%	40.9%
Unknown	16	16.3%	1,712	11.3%	833	5.5%	136,142	6.8%	0.0%
Total	**98**		**15,096**		**15,043**		**1,994,501**		
2016									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	1	1.1%	2	0.0%	1,296	8.0%	87,791	3.9%	21.6%
Moderate	13	14.0%	1,516	10.1%	3,685	22.7%	350,818	15.5%	17.1%
LMI	14	15.1%	1,518	10.2%	4,981	30.7%	438,609	19.4%	38.7%
Middle	22	23.7%	2,452	16.4%	4,198	25.9%	523,994	23.2%	20.5%
Upper	36	38.7%	8,150	54.5%	6,174	38.1%	1,155,743	51.2%	40.9%
Unknown	21	22.6%	2,828	18.9%	850	5.2%	139,527	6.2%	0.0%
Total	**93**		**14,948**		**16,203**		**2,257,873**		
2017									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	1	1.2%	65	0.4%	1,384	8.8%	98,040	4.3%	22.0%
Moderate	9	11.0%	942	6.2%	3,637	23.0%	357,767	15.6%	16.5%
LMI	10	12.2%	1,007	6.7%	5,021	31.8%	455,807	19.9%	38.5%
Middle	10	12.2%	1,046	6.9%	4,018	25.4%	515,513	22.5%	20.1%
Upper	39	47.6%	8,511	56.4%	5,999	38.0%	1,129,265	49.4%	41.4%
Unknown	23	28.0%	4,525	30.0%	769	4.9%	187,243	8.2%	0.0%
Total	**82**		**15,089**		**15,807**		**2,287,828**		
GRAND TOTAL									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	7	2.6%	313	0.7%	4,130	8.8%	279,698	4.3%	
Moderate	33	12.1%	3,530	7.8%	11,057	23.5%	1,048,655	16.0%	
LMI	40	14.7%	3,843	8.5%	15,187	32.3%	1,328,353	20.3%	
Middle	59	21.6%	7,667	17.0%	12,074	25.7%	1,508,160	23.1%	
Upper	114	41.8%	24,558	54.4%	17,340	36.9%	3,240,777	49.6%	
Unknown	60	22.0%	9,065	20.1%	2,452	5.2%	462,912	7.1%	
Total	**273**		**45,133**		**47,053**		**6,540,202**		

Small Business Loans

BOA's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes. During the evaluation period, BOA's average rates or lending for businesses with annual revenues of $1 million or less was 76% by number of loans and 72.1% by dollar value, which exceeded its aggregate's rates of 49% and 32.6%, respectively.

BOA's current rates of lending were better than its prior rates of 69.5% and 71.6%, respectively, and are comparable to the assessment area business demographics.

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

Distribution of Small Business Lending by Revenue Size of Business									
2015									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	76	74.5%	10,461	68.4%	6,184	49.5%	200,232	32.7%	74.9%
Rev. > $1MM	26	25.5%	4,829	31.6%	6,306	50.5%	411,575	67.3%	6.7%
Rev. Unknown	0	0.0%	0	0.0%					18.4%
Total	**102**		**15,290**		**12,490**		**611,807**		
2016									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	81	72.3%	13,202	72.5%	6,184	48.6%	196,690	33.5%	80.0%
Rev. > $1MM	30	26.8%	4,954	27.2%	6,544	51.4%	390,480	66.5%	7.6%
Rev. Unknown	1	0.9%	53	0.3%					12.5%
Total	**112**		**18,209**		**12,728**		**587,170**		
2017									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	90	81.1%	13,845	74.7%	6,671	51.5%	179,349	31.5%	79.8%
Rev. > $1MM	21	18.9%	4,701	25.3%	6,284	48.5%	389,548	68.5%	7.7%
Rev. Unknown	0	0.0%	0	0.0%					12.6%
Total	**111**		**18,546**		**12,955**		**568,897**		
GRAND TOTAL									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	247	76.0%	37,508	72.1%	19,039	49.9%	576,271	32.6%	
Rev. > $1MM	77	23.7%	14,484	27.8%	19,134	50.1%	1,191,603	67.4%	
Rev. Unknown	1	0.3%	**53**	0.1%					
Total	**325**		52,045		**38,173**		**1,767,874**		

<u>Geographic Distribution of Loans</u>: "Satisfactory"

BOA's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. While BOA's HMDA-reportable lending rates within LMI geographies outperformed its aggregate's lending rates, its small business lending rates were less than adequate.

<u>HMDA-Reportable Loans</u>

The distribution of BOA's HMDA-reportable loans among census tracts of varying income levels was reasonable. BOA's HMDA-reportable average lending rates within LMI geographies of 18.5% by number of loans and 11.9% by dollar value compared favorably with its aggregate's rates of 14.2% and 9.6%, respectively. In all years of the evaluation period, BOA's rates of lending in LMI geographies exceeded its aggregate's rates. Furthermore, BOA's rates were in line with the assessment area owner-occupied household demographics of 18%.

The following table provides a summary of the distribution of BOA'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									
2015									
Geographic Income	**Bank**				**Aggregate**				**OO Hus**
	#	%	$000's	%	#	%	$000's	%	%
Low	2	1.9%	279	1.7%	434	2.9%	52,613	2.2%	5.2%
Moderate	15	14.2%	1,833	11.1%	1,716	11.3%	151,623	6.4%	14.5%
LMI	17	16.0%	2,112	12.7%	2,150	14.1%	204,236	8.7%	19.7%
Middle	42	39.6%	5,557	33.5%	6,479	42.5%	784,452	33.3%	41.8%
Upper	47	44.3%	8,910	53.7%	6,597	43.3%	1,364,262	58.0%	38.5%
Unknown	0	0.0%	0	0.0%	1	0.0%	5	0.0%	0.0%
Total	**106**		**16,579**		**15,227**		**2,352,955**		
2016									
Geographic Income	**Bank**				**Aggregate**				**OO Hus**
	#	%	$000's	%	#	%	$000's	%	%
Low	6	6.0%	467	2.6%	466	2.8%	49,229	2.0%	5.2%
Moderate	16	16.0%	2,303	12.7%	1,827	11.2%	189,651	7.7%	14.5%
LMI	22	22.0%	2,770	15.3%	2,293	14.0%	238,880	9.7%	19.7%
Middle	46	46.0%	7,648	42.3%	6,909	42.2%	875,978	35.5%	41.8%
Upper	32	32.0%	7,653	42.3%	7,171	43.8%	1,351,819	54.8%	38.5%
Unknown	0	0.0%	0	0.0%	3	0.0%	298	0.0%	0.0%
Total	**100**		**18,071**		**16,376**		**2,466,975**		
2017									
Geographic Income	**Bank**				**Aggregate**				**OO Hus**
	#	%	$000's	%	#	%	$000's	%	%
Low	4	4.4%	364	1.8%	741	4.6%	101,964	4.0%	6.9%
Moderate	12	13.2%	2,342	11.8%	1,593	10.0%	163,226	6.5%	11.1%
LMI	16	17.6%	2,706	13.6%	2,334	14.6%	265,190	10.5%	18.0%
Middle	29	31.9%	5,876	29.6%	7,349	46.0%	935,020	37.1%	43.9%
Upper	46	50.5%	11,282	56.8%	6,278	39.3%	1,318,185	52.3%	38.1%
Unknown	0	0.0%	0	0.0%	8	0.1%	2,569	0.1%	0.0%
Total	**91**		**19,864**		**15,969**		**2,520,964**		
GRAND TOTAL									
Geographic Income	**Bank**				**Aggregate**				**OO Hus**
	#	%	$000's	%	#	%	$000's	%	%
Low	12	4.0%	1,110	2.0%	1,641	3.4%	203,806	2.8%	
Moderate	43	14.5%	6,478	11.9%	5,136	10.8%	504,500	6.9%	
LMI	55	18.5%	7,588	13.9%	6,777	14.2%	708,306	9.6%	
Middle	117	39.4%	19,081	35.0%	20,737	43.6%	2,595,450	35.4%	
Upper	125	42.1%	27,845	51.1%	20,046	42.1%	4,034,266	55.0%	
Unknown	0	0.0%	0	0.0%	12	0.0%	2,872	0.0%	
Total	**297**		**54,514**		**47,572**		**7,340,894**		

Small Business Loans

The distribution of BOA's small business loans among census tracts of varying income levels was less than adequate. BOA's small business lending within LMI geographies trended upward, averaging 13.5% by number of loans and 15.7% by dollar value. However, these rates compared unfavorably with its aggregate's average rates of 20% and 24.7%, respectively, and below its assessment area business demographics of almost 23% in years 2015 and 2016, and 20.8% in 2017.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2015									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	2	2.0%	261	1.7%	820	6.6%	48,479	7.9%	7.8%
Moderate	9	8.8%	2,342	15.3%	1,646	13.2%	105,927	17.3%	15.0%
LMI	11	10.8%	2,603	17.0%	2,466	19.7%	154,406	25.2%	22.8%
Middle	44	43.1%	7,069	46.2%	4,892	39.2%	232,510	38.0%	39.7%
Upper	47	46.1%	5,618	36.7%	5,117	41.0%	224,220	36.6%	37.0%
Unknown	0	0.0%	0	0.0%	15	0.1%	671	0.1%	0.5%
Total	**102**		**15,290**		**12,490**		**611,807**		
2016									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	7	6.3%	1,033	5.7%	855	6.7%	49,345	8.4%	7.8%
Moderate	10	8.9%	1,847	10.1%	1,784	14.0%	103,158	17.6%	14.9%
LMI	17	15.2%	2,880	15.8%	2,639	20.7%	152,503	26.0%	22.7%
Middle	36	32.1%	6,945	38.1%	4,827	37.9%	208,497	35.5%	39.9%
Upper	59	52.7%	8,384	46.0%	5,244	41.2%	225,959	38.5%	37.0%
Unknown	0	0.0%	0	0.0%	18	0.1%	211	0.0%	0.5%
Total	**112**		**18,209**		**12,728**		**587,170**		
2017									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	6	5.4%	975	5.3%	1,148	8.9%	62,491	11.0%	9.0%
Moderate	10	9.0%	1,723	9.3%	1,368	10.6%	66,387	11.7%	11.8%
LMI	16	14.4%	2,698	14.5%	2,516	19.4%	128,878	22.7%	20.8%
Middle	33	29.7%	7,232	39.0%	4,618	35.6%	181,458	31.9%	37.4%
Upper	61	55.0%	8,466	45.6%	5,480	42.3%	232,156	40.8%	37.7%
Unknown	1	0.9%	150	0.8%	341	2.6%	26,405	4.6%	4.1%
Total	**111**		**18,546**		**12,955**		**568,897**		
GRAND TOTAL									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	15	4.6%	2,269	4.4%	2,823	7.4%	160,315	9.1%	
Moderate	29	8.9%	5,912	11.4%	4,798	12.6%	275,472	15.6%	
LMI	44	13.5%	8,181	15.7%	7,621	20.0%	435,787	24.7%	
Middle	113	34.8%	21,246	40.8%	14,337	37.6%	622,465	35.2%	
Upper	167	51.4%	22,468	43.2%	26,202	68.6%	682,335	38.6%	
Unknown	1	0.3%	150	0.3%	374	1.0%	27,287	1.5%	
Total	**325**		**52,045**		**38,173**		**1,767,874**		

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

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

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 Community Reinvestment Act

On a quarterly basis, BOA's board of directors receives a copy of the bank's lending inside and outside of its assessment area delineation provided by the CRA officer. In addition, executive management reviews the same report to provide feedback to the bank's lenders.

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

Evidence of prohibited discriminatory or other illegal credit practices.

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

Record of opening and closing offices and providing services at offices

BOA did not open or close any branches during the evaluation period. BOA operates five offices, which are in Erie County. Three branches are located in middle-income census tracts, two of which are in the Village of Akron, including its main office, and one in Lancaster. Two branches are in upper-income census tracts, both of which are located in Clarence. These branches are supported by automated teller machines ("ATMs"). Except for the main office branch, all ATMs have deposit-taking capabilities. Additionally, BOA has two off-site, non-deposit-taking ATMs, both located in middle-income census tracts which border Erie and Genesee counties.

Branch hours are typically from nine in the morning till four in the afternoon. Some branches have longer hours on Fridays. Two branches (Akron/Buell and Clarence) offer limited Saturday banking hours.

Distribution of Branches within the Assessment Area						
County	**N/A #**	**Low #**	**Moderate #**	**Middle #**	**Upper #**	**Total #**
Erie				3	2	5
Total				**3**	**2**	**5**

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 the bank's employee volunteer program, some bank personnel are in frequent contact with local nonprofit organizations and community groups in the

assessment area. The volunteer program encourages employees to attend events as a representative of the bank or volunteer time to charitable organizations outside of normal work hours to receive volunteer paid time-off credits. Also, the president and chief executive officer are a board member and the chairman of the finance committee of a faith based regional nonprofit organization.

Additionally, the bank's branch managers and relationship managers attend various community events and make regular calls on local businesses. Through these activities, the bank is able to ascertain the credit and banking needs of its assessment area.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.*

  In addition to the bank's personnel attending various community events and contact with local businesses, the bank markets its products through targeted advertising based on its branch locations, especially when launching new products.

  Akron also utilizes digital marketing (targeted internet advertising) and social media, such as Facebook, LinkedIn, and Twitter. These platforms provide for varying types of interaction with the bank's communities and customers.

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

DFS examiners noted no other factors.

GLOSSARY

Aggregate Lending

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 Metropolitan Statistical Area ("MSA") or statewide nonmetropolitan median income.

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

Small Business Loan

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

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 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.