



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: March 31, 2018

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

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank of Utica (“BU” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of March 31, 2018.

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

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated BU according to the large banking institution performance criteria pursuant to Sections 76.7, 76.8, 76.9, and 76.10 of the GRS. DFS evaluated BU's performance under the lending test in calendar years 2014, 2015, 2016, and 2017, and the Bank's community development activity from January 1, 2014 to March 31, 2018. BU is rated "**Satisfactory**" or "2." This rating means BU had a satisfactory record of helping to meet community credit needs.

This rating is based on the following factors:

LENDING TEST: "High Satisfactory"

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

Lending Activity: "Low Satisfactory"

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

During the evaluation period, BU's average loan-to-deposit ("LTD") ratio was 7.5%, significantly below its peer group's average of 80.5%. The bank's LTD ratios have historically been very low, which is attributable to limited lending opportunities that exist in the assessment area due to high rates of poverty and unemployment and weak economic growth, particularly within the City of Utica where the bank's only office is located.

BU also faces significant competition from larger national and regional banks, as well as other lending institutions vying for small business loans within the assessment area. Nevertheless, BU never ranked lower than 8th in any year in the Market Share Report for small business lending in the assessment area; only larger national and regional banks and nonbank lenders outperformed BU.

Assessment Area Concentration: "High Satisfactory"

During the evaluation period, BU originated 82.6% by number and 74.2% by dollar value of its small business loans within its assessment area. This majority of lending inside of its assessment area reflects a more than reasonable concentration of lending within BU's assessment area.

Geographic Distribution of Loans: "Outstanding"

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

During the evaluation period, BU's average rates of lending in LMI tracts were 39.5% by number and 39.6% by dollar value. The rates of lending significantly exceeded the aggregate's rates of 24.8% and 25%, respectively. BU's rates of lending also exceeded the business demographics of the assessment area.

Distribution by Borrower Characteristics: "High Satisfactory"

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

During the evaluation period, BU's average rates of lending to businesses with gross annual revenue of \$1 million or less was 62.7% by number and 55.6% by dollar value of loans, outperforming the aggregate's rates of 49% and 38.5%, respectively. However, BU trailed the assessment area's business demographics.

Community Development Lending: "Outstanding"

During the evaluation period, BU originated \$49.7 million in new community development loans and had no loans outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

INVESTMENT TEST: "High Satisfactory"

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

Qualified Investments: "High Satisfactory"

During the evaluation period, BU made \$15.5 million in new community development investments and had \$6.4 million outstanding from prior evaluation periods. In addition, BU made \$245,250 in community development grants. This demonstrated a more than reasonable level of qualified investments over the course of the evaluation period.

Innovativeness of Community Development Investments

BU did not use innovative investments to support community development.

Responsiveness of Community Development Investments to Credit and Community Development Needs

BU's community development investments exhibited more than reasonable responsiveness to the assessment area's community development needs

SERVICE TEST: “High Satisfactory”

Retail Banking Services: “High Satisfactory”

BU retail banking services were more than reasonable, as evidenced by its branch network, delivery systems, branch hours and services, and alternative delivery systems.

Community Development Services: “High Satisfactory”

BU provided a relatively high level of community development services. Directors, officers, and employees of the bank participated in community development services in various capacities. They served on the boards of non-profit organizations, presented affordable loan programs to small business owners, trained entrepreneurs, and participated in financial literacy workshops. During the evaluation period, bank personnel provided 172 qualified community development services.

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

Chartered in 1927, BU is a commercial bank with a single branch office located in Utica, New York. BU has no affiliates other than the Bank of Utica Foundation, Inc., a non-profit charitable organization located in Utica, New York. The foundation provides charitable donations on behalf of the Bank.

BU provides a wide range of products and services that include checking and money market accounts, and certificates of deposit, both for retail and business customers. Its primary loan products are commercial lines-of-credit, commercial mortgages, long and short-term time notes, accounts receivable and inventory financing, and federal and New York State government loan programs. Services include online banking, merchant services, remote deposit capture, ACH origination, 24/7 telephone banking, and bank-by-mail.

In its Consolidated Report of Condition (“Call Report”) filed with the Federal Deposit Insurance Corporation (“FDIC”) as of December 31, 2017, BU reported total assets of \$1 billion, of which \$65.7 million were net loans and lease financing receivables. It also reported total deposits of \$823 million, resulting in a loan-to-deposit (“LTD”) ratio of 8%. According to the latest available comparative deposit data as of June 30, 2017, BU had a market share of 24.1%, or \$866 million in a market of \$3.6 billion, ranking it first among 10 deposit-taking institutions in the assessment area.

The following is a summary of the Bank’s loan portfolio, based upon Schedule RC-C of the Bank’s December 31, 2014, 2015, 2016, and 2017’s Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2014		12/31/2015		12/31/2016		12/31/2017	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	2,371	3.6	2,044	3.5	2,264	3.4	2,230	3.4
Commercial & Industrial Loans	27,900	42.5	20,928	36.1	31,475	47.7	33,591	50.9
Commercial Mortgage Loans	20,813	31.7	20,886	36.0	19,530	29.6	20,549	31.1
Multifamily Mortgages	4,122	6.3	7,416	12.8	7,378	11.2	7,211	10.9
Consumer Loans	4,734	7.2	4,570	7.9	4,109	6.2	3,458	5.2
Other Loans	5,636	8.6	2,149	3.7	1,244	1.9	481	0.7
Total Gross Loans	65,576		57,993		66,000		67,520	

As illustrated in the above table, BU is primarily a commercial lender, with 82% of its loan portfolio in commercial & industrial loans (50.9%) and commercial mortgage loans (31.1%).

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

Assessment Area

BU's assessment area has not changed since the prior evaluation period. The assessment area consists primarily of the City of Utica and surrounding geographies, which comprise a part of Oneida County.

There are 49 census tracts in the assessment area, of which 13 are low-income, 5 are moderate-income, 14 are middle-income, 13 are upper-income, and 4 with no income indicated. While the assessment area did not change from the prior evaluation period, the income classification for some census tracts within the assessment area changed from 2016 to 2017. In 2016, the census tracts in the assessment area were classified as 7 low-income, 9 moderate-income, 15 middle-income, 14 upper-income, and 4 with no income indicated.

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

* Partial county

Demographic & Economic Data

The assessment area had a population of 154,793 during the evaluation period. About 16.9% of the population were over the age of 65 and 19.1% were under the age of 16.

Of the 36,274 families in the assessment area, 23.2% were low-income, 14.8% were moderate-income, 20.5% were middle-income, and 41.6% were upper-income. There were 59,211 households in the assessment area, of which 16.5% had income below the poverty level and 3.8% were on public assistance.

The weighted average median family income in the assessment area was \$63,747.

There were 66,140 housing units within the assessment area, of which 83.6% were one-to-four family units and 12.2% were multifamily units. A majority (57.7%) of the area's housing units were owner-occupied, while 31.8% were rental units. Of the 38,175 owner-occupied housing units, 17.2% were in LMI census tracts while 82.8% were in middle- and upper-income census tracts. The median age of the housing stock was 62 years, and the median home value in the assessment area was \$115,331.

There were 7,388 non-farm businesses in the assessment area. Of these, 78.1% were businesses with reported revenues of less than or equal to \$1 million, 7.7% reported revenues of more than \$1 million, and 14.2% did not report their revenues. Of all the

businesses in the assessment area, 95.4% were businesses with less than fifty employees while 84.4% operated from a single location. The largest industries in the area were services (45%), retail trade (16.6%), construction (7.5%), and finance, insurance & real estate (7.2%); 5.7% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and Oneida County were comparable during the evaluation period. The state's rate was higher than Oneida County's rate in 2014; for 2015 and 2016 their rates were the same; while for 2017 Oneida County's rate was higher. However, the annual unemployment rate for the City of Utica was consistently higher than the rate for the state and the rest of Oneida County. The average unemployment rate for the evaluation period for New York State and Oneida County was 5.3%, compared to 6.4% for the City of Utica.

Assessment Area Unemployment Rate			
	Statewide	Oneida	City of Utica
2014	6.3	6.1	7.5
2015	5.3	5.3	6.3
2016	4.8	4.8	5.7
2017	4.7	5.1	6.2
Average	5.3	5.3	6.4

Community Information

DFS examiners interviewed the director of a not-for-profit training institute as the community contact for this evaluation. The training institute was created to assist women and aspiring entrepreneurs.

The director noted that the overall economic conditions in the area have slowly improved, however, the economic conditions in the City of Utica remains poor. Furthermore, the Utica City School District is among the poorest in New York State, and many of its students are immigrants and refugees who speak limited or no English.

While the economic conditions in part of the assessment area are poor, this provides opportunities for local financial institutions as noted by the community contact. This includes providing financial literacy programs targeted to immigrants and refugees, as well as specific loan programs for start-up businesses, entrepreneurs, and small businesses. In that regard, the contact favorably mentioned BU as one local institution that helps meet the credit needs of the communities. The Bank has developed a micro-loan program, which assists entrepreneurs and small business owners with working capital. The Bank has also partnered with the institute in a variety of projects, such as providing financial counseling, funding, and technical assistance to small business owners.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

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

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

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

DFS sourced the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually, and obtained unemployment data from the New York State Department of Labor. Although some non-specific bank data are only available on a county-wide basis, DFS used this information even though BU's assessment area includes only a portion of Oneida County.

The assessment period included calendar years 2014, 2015, 2016, and 2017 for evaluating small business loans in factors (2), (3), and (4) of the lending test noted above, while the assessment period for evaluating community development activity extended to March 31, 2018.

Because BU did not make any small farm loans during the evaluation period, and residential lending was minimal, DFS based all analyses on small business lending only.

At its **prior** Performance Evaluation as of December 31, 2013, DFS assigned BU a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of BU's community.

Current CRA Rating: "Satisfactory"

LENDING TEST: “High Satisfactory”

The bank’s lending performance was evaluated pursuant to the following criteria:

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

BU’s small business lending activities were more than reasonable in light of 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.

Lending Activity: “Low Satisfactory”

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

BU’s average LTD ratio for the evaluation period was 7.5%, well below its peer group ratio of 80.5%. The Bank is primarily a small business lender and has had historically low LTD ratios. This can be attributed to limited lending opportunities that exist in the assessment area due to high poverty and unemployment rates and weak economic growth, particularly within the City of Utica where BU’s only branch is located. The City’s annual average unemployment rates were well above the rates for Oneida County and New York State for the evaluation period. Furthermore, the City’s poverty rate of 31.7% was double the 15.9% rate for New York State.

BU also faces significant competition from larger national and regional banks and nonbank lenders vying for small business loans within its assessment area. Nevertheless, in 2017 BU ranked 7th in the Market Share Report among 51 small business lenders by number (143) of small business loans originated. During the evaluation period, BU never ranked lower than 8th (2016) in the Market Share Report for small business lending in the assessment area, outperformed only by the aforementioned larger national and regional banks and nonbank lenders. During the evaluation period, BU originated an average of 159 small business loans a year in its assessment area, comparable to the average of 156 loans a year originated during the prior evaluation period.

Loan-to-Deposit Ratios																	
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	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	6.4	6.8	7.1	8.0	8.1	8.4	6.8	6.9	6.8	6.9	7.7	7.5	7.7	8.0	8.4	8.0	7.5
Peer	74.8	77.0	77.6	78.3	77.4	79.3	79.8	80.1	80.0	81.3	81.2	83.9	83.1	84.7	85.2	85.0	80.5

Assessment Area Concentration: “High Satisfactory”

During the evaluation period, BU originated 82.6% by number and 74.2% by dollar value of its small business loans within its assessment area. This majority of lending inside of its assessment area reflects a more than reasonable concentration of lending within BU’s assessment area.

The percentage of small business loans by number and dollar value originated by BU in its assessment area declined each year of the evaluation period. This was partly due to limited lending opportunities within the assessment area due to the weak local economy and strong competition for small business loans.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2014	201	88.5%	26	11.5%	227	16,025	84.9%	2,850	15.1%	18,875
2015	150	82.0%	33	18.0%	183	11,475	78.5%	3,152	21.5%	14,627
2016	143	83.1%	29	16.9%	172	10,508	67.9%	4,959	32.1%	15,467
2017	144	75.8%	46	24.2%	190	11,974	65.0%	6,441	35.0%	18,415
Grand Total	638	82.6%	134	17.4%	772	49,982	74.2%	17,402	25.8%	67,384

Geographic Distribution of Loans: “Outstanding”

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

BU’s average rates of lending in LMI tracts were 39.5% by number and 39.6% by dollar value of loans for the evaluation period. These rates of lending significantly exceeded the aggregate’s rates of 24.8% by number and 25% by dollar value. BU’s average rates of lending in LMI geographies also exceeded the business demographics of small businesses located in LMI geographies for each year of the evaluation period.

BU’s rates of lending in moderate-income census tracts significantly exceeded the aggregate’s rates for 2014, 2015, and 2016, while its rates in low-income tracts trailed the aggregates rates. However, in 2017 BU’s rates of lending in low-income tracts increased significantly to more than double the aggregate’s rates, while its rates in moderate-income tracts was well below the aggregate’s rates. This significant change was due to the reclassification of census tracts in the assessment area from 2016 to 2017, which resulted in low-income tracts increasing from seven to 13 and moderate-income tracts decreasing from nine to five.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2014									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	3.5%	601	3.8%	122	6.2%	1,915	2.6%	6.8%
Moderate	57	28.4%	4,075	25.4%	308	15.8%	11,616	15.5%	12.5%
LMI	64	31.8%	4,676	29.2%	430	22.0%	13,531	18.0%	19.3%
Middle	83	41.3%	8,143	50.8%	710	36.3%	30,319	40.4%	41.4%
Upper	52	25.9%	2,645	16.5%	791	40.5%	28,712	38.3%	38.0%
Unknown	2	1.0%	561	3.5%	24	1.2%	2,484	3.3%	1.4%
Total	201		16,025		1,955		75,046		
2015									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	6.0%	221	1.9%	141	6.9%	3,105	3.8%	6.9%
Moderate	54	36.0%	3,944	34.4%	350	17.2%	14,057	17.0%	12.4%
LMI	63	42.0%	4,165	36.3%	491	24.2%	17,162	20.7%	19.3%
Middle	55	36.7%	5,922	51.6%	759	37.4%	33,641	40.6%	41.4%
Upper	31	20.7%	988	8.6%	741	36.5%	28,854	34.9%	37.7%
Unknown	1	0.7%	400	3.5%	38	1.9%	3,107	3.8%	1.6%
Total	150		11,475		2,029		82,764		
2016									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	11	7.7%	231	2.2%	153	7.2%	3,182	4.1%	6.7%
Moderate	38	26.6%	3,868	36.8%	295	13.8%	10,503	13.6%	12.3%
LMI	49	34.3%	4,099	39.0%	448	21.0%	13,685	17.7%	18.9%
Middle	41	28.7%	3,263	31.1%	741	34.7%	28,461	36.8%	41.7%
Upper	49	34.3%	1,781	16.9%	924	43.3%	33,647	43.5%	37.7%
Unknown	4	2.8%	1,365	13.0%	22	1.0%	1,614	2.1%	1.7%
Total	143		10,508		2,135		77,407		
2017									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	67	46.5%	6,200	51.8%	429	19.3%	19,377	21.7%	20.3%
Moderate	9	6.3%	657	5.5%	269	12.1%	17,519	19.6%	12.8%
LMI	76	52.8%	6,857	57.3%	698	31.4%	36,896	41.2%	33.1%
Middle	22	15.3%	2,130	17.8%	567	25.5%	21,667	24.2%	30.1%
Upper	37	25.7%	1,490	12.4%	926	41.6%	27,633	30.9%	35.3%
Unknown	9	6.3%	1,497	12.5%	34	1.5%	3,292	3.7%	1.5%
Total	144		11,974		2,225		89,488		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	94	14.7%	7,253	14.5%	845	10.1%	27,579	8.5%	
Moderate	158	24.8%	12,544	25.1%	1,222	14.6%	53,695	16.5%	
LMI	252	39.5%	19,797	39.6%	2,067	24.8%	81,274	25.0%	
Middle	201	31.5%	19,458	38.9%	2,777	33.3%	114,088	35.1%	
Upper	169	26.5%	6,904	13.8%	3,382	40.5%	118,846	36.6%	
Unknown	16	2.5%	3,823	7.6%	118	1.4%	10,497	3.2%	
Total	638		49,982		8,344		324,705		

Distribution by Borrower Characteristics: “High Satisfactory”

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

During the evaluation period, BU’s average rates of lending to businesses with gross annual revenue of \$1 million or less were 62.7% by number and 55.6% by dollar value of loans, outperforming the aggregate’s rates of 49% and 38.5%, respectively. BU outperformed its aggregate for lending to businesses with gross annual revenue of \$1 million or less each year of the evaluation period. However, its rates of lending trailed the assessment area’s business demographics, which ranged from 70.5% to 78.5% for businesses with gross annual revenue of \$1 million or less.

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

Distribution of Small Business Lending by Revenue Size of Business									
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	106	52.7%	7,733	48.3%	854	43.7%	29,059	38.7%	70.5%
Rev. > \$1MM	95	47.3%	8,292	51.7%					6.4%
Rev. Unknown									23.1%
Total	201		16,025		1,955		75,046		
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	107	71.3%	8,745	76.2%	1,030	50.8%	32,237	39.0%	73.8%
Rev. > \$1MM	43	28.7%	2,730	23.8%					6.6%
Rev. Unknown									19.6%
Total	150		11,475		2,029		82,764		
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	95	66.4%	6,479	61.7%	1,120	52.5%	32,237	41.6%	78.5%
Rev. > \$1MM	48	33.6%	4,029	38.3%					7.4%
Rev. Unknown									14.1%
Total	143		10,508		2,135		77,407		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	92	63.9%	4,850	40.5%	1,082	48.6%	31,331	35.0%	78.1%
Rev. > \$1MM	52	36.1%	7,124	59.5%					7.7%
Rev. Unknown									14.2%
Total	144		11,974		2,225		89,488		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	400	62.7%	27,807	55.6%	4,086	49.0%	124,864	38.5%	
Rev. > \$1MM	238	37.3%	22,175	44.4%					
Rev. Unknown									
Total	638		49,982		8,344		324,705		

Community Development Lending: “Outstanding”

During the evaluation period, BU originated \$49.7 million in new community development loans, with no loans outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Total community development loans increased by 156.4% from the previous evaluation and represents approximately 1.2% of annualized average assets. The majority of community development loans supported revitalization or stabilization projects and the balance supported community services. Loan proceeds were used for construction, acquisition, and renovation projects in LMI geographies, helping to create job opportunities and support economic growth.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development				
Community Services	2	8,400		
Revitalize/Stabilize	5	41,320		
Total	7	49,720	0	0

Below are highlights of BU’s community development lending.

- In 2014, BU extended a \$10 million loan as a participation in a statewide \$65 million construction project to a not-for-profit corporation formed to develop, construct, and manage research and development facilities. The facility funded by BU’s loan will provide research and economic development opportunities, promote and secure educational, innovation and commercialization operations, enable investments and job creation. It is estimated that in the City of Utica alone, the project will create 1,500 jobs, provide workforce training opportunities, and promote economic growth.
- In 2014, BU made a commercial mortgage loan in the amount of \$6.5 million to a property management corporation for the acquisition of a vacant bank building in downtown Utica. The building will be renovated into business offices, a restaurant, and apartments. This will create job opportunities and assist in the revitalization of the City of Utica.
- BU originated four loans totaling \$8.6 million to a limited liability company during the evaluation period. The proceeds were used to acquire and renovate a hotel,

including restaurant, banquet facilities, all common areas, and a parking garage. The hotel, located in a low-income census tract in the City of Utica, will create jobs and help to revitalize and stabilize the area.

- BU renewed a \$2 million line-of-credit each year of the evaluation period for a total of \$8 million. The loan was made to a not-for-profit agency with the mission to help the disabled achieve a high level of independence. The agency, located in the City of Utica, provides rehabilitation, employment, and technology services tailored to each individual's needs.

Flexible and/or Innovative Lending Practices:

BU collaborated with a not-for-profit business training institute whose focus is to provide education and financial assistance to aspiring entrepreneurs, women-owned businesses, and small business owners. BU has also developed a micro-loan program that offers loans from \$2,000 to \$20,000 tailored to provide working capital for entrepreneurs, women-owned business, and small business owners in the Bank's assessment area.

INVESTMENT TEST: "High Satisfactory"

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

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

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

Qualified Investments: "High Satisfactory"

During the evaluation period, BU made \$15.5 million in new community development investments and had \$6.4 million outstanding from prior evaluation periods. In addition, BU made \$245,250 in community development grants. This demonstrated a more than reasonable level of qualified investments over the course of the evaluation period.

Compared to the previous evaluation, total qualified investments decreased slightly to \$22.1 million (prior evaluation \$22.4 million) resulting in a ratio of 0.52% of qualified investments to annualized average assets.

BU continues to purchase municipal bonds that are used to finance the construction and improvement of critical infrastructure and public safety within the city of Utica; among the projects are public storm and sewer improvements, road construction and repaving, improvements to the police and fire department, and various other public improvement projects.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing			2	116
Community Services			10	3,640
Economic Development				
Revitalize/Stabilize	32	15,505	7	2,601
Total	32	15,505	19	6,357
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing				
Community Services	35	104		
Economic Development	13	97		
Revitalize/Stabilize	8	45		
Total	56	246		

Below are highlights of BU's qualified investments.

- During the evaluation period, BU purchased 32 municipal bonds totaling \$15.5 million issued by the City of Utica. A majority of the City of Utica's census tracts are classified as LMI coupled with a high level of poverty (31.7%) and an unemployment rate well above Oneida County and New York State. The bonds financed various essential public works improvement projects including reconstructions of streets, parking facilities, sewer systems, demolition of vacant/obsolete municipal buildings, and various other projects.
- BU made 56 community development grants totaling more than \$245,000. Grants, by dollar value, supported community services (42.3%), economic development (39.4%), and revitalization/stabilization (18.3%). The grants were made to various community development organizations which support programs that provide job placement assistance to refugees/immigrants, meals to the homeless, help persons with disabilities achieve their potential, and economic development by providing financial education and funding to small business owners.

Innovativeness of Community Development Investments:

BU's did not use innovative investments to support community development.

Responsiveness of Community Development Investments to Credit and Community Development Needs:

BU's community development investments exhibited more than reasonable

responsiveness to the assessment area's community development needs. All of the Bank's investments were in bonds issued by the City of Utica for public improvement projects helping to revitalize and stabilize the city.

SERVICE TEST: "High Satisfactory"

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

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

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

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

Retail Banking Services: "High Satisfactory"

BU has more than reasonable delivery systems, branch hours and services, and alternative delivery systems, particularly as they relate to LMI individuals.

Current distribution of the banking institution's branches

BU is a one branch banking institution located in the City of Utica. The branch, which also serves as the headquarters, is in a low-income census tract.

Banking hours are Monday thru Friday from 9:00 AM to 5:00 PM. The branch has one non-deposit taking automated teller machine ("ATM"). The ATM is located at the drive-up window and is accessible during banking hours with extended hours (5:30 PM) on Friday.

Record of opening and closing branches

BU did not open any new branches during the evaluation period, but closed its only off-site ATM. The ATM was located in the lobby of Hotel Utica, in the City of Utica.

Availability and effectiveness of alternative systems for delivering retail services

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

. Alternative systems for delivering the Bank's services to its customers include: free Bank-by-mail (BU will pay postage); free 24-Hour Telephone Banking; free Online

Banking & Bill Payment; free Mobile Banking & Mobile Deposit; and surcharge free access to over 55,000 ATMs nationwide through the Allpoint network of ATMs.

Range of services provided

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

- The "Personal Checking Account" pays interest, allows customers to make unlimited deposits and write an unlimited number of checks, and offers a range of free services and benefits such as online banking, bill payment, and mobile banking.
- The "Free Checking Plus Interest Account" has no monthly maintenance fees and no activity charges (no charges for checks drawn or deposits made). The average available balance to earn interest is \$500. This account is available for not-for-profit organizations.
- The "Small Business Checking Account" is a low-cost commercial account that has no annual fees, no minimum balance, no monthly maintenance charges, and no fees for ACH transactions. In addition, this account includes free online banking, bill payment, and mobile banking.
- The Health Savings Account helps customers save money for future medical expenses. It allows funds to remain in the account year after year.
- The "Micro-Loan Program" offers loans from \$2,000 to \$20,000 to assist entrepreneurs, women-owned business, and small business owners in the Bank's assessment area.

Community Development Services: "High Satisfactory"

BU provided a relatively high level of community development services. Directors, officers, and employees of the Bank participated in community development services in various capacities. They served on the boards of non-profit organizations, presented affordable loan programs to small business owners, trained entrepreneurs, and participated in financial literacy workshops. During the evaluation period, bank personnel participated in more than 150 qualified community development services, primarily in activities supporting community services and economic development.

Below are highlights of BU's community development services.

- A vice president serves on the board of a not-for-profit agency that serves the needs of individuals who are blind or visually impaired. The agency provides vision rehabilitation, employment, technology, and services to help individuals of all ages reach their highest level of independence.

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- A senior vice president is a committee member of a not-for-profit economic development corporation that focuses on economic development in Oneida County through growing existing businesses, assisting start-up businesses, and helping industries to re-locate to the region. The corporation links the area's economic development organizations and provides financing in the form of loans, grants, and tax credits.
 - A senior officer is the treasurer of a not-for-profit organization that operates a soup kitchen and serves 2-3 meals a day, seven days a week, to the homeless and needy in the City of Utica.
 - In 2017, two vice presidents presented an information session on deposit accounts and loan products to students from Utica's Proctor High School. The Utica City school district is among the poorest in New York State. Students speak more than 49 different languages, as the City of Utica is the home of many immigrants and refugees.
 - In 2015, a vice president began a financial education outreach program aimed at presenting information on banking services and products to refugees and immigrants in the Utica area. In 2016, the program expanded to six such presentations.

Additional Factors

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

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

The CRA officer prepares an annual report summarizing the Bank's previous year's CRA activities. The report is submitted to the board for review. The report highlights community development activities such as commercial and residential lending, qualified investments, charitable donations, and community development services that benefit LMI individuals/families and communities.

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 note practices by BU intended to discourage applications for the types of credit offered by BU.

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

DFS examiners noted no evidence of prohibited discriminatory or other illegal practices.

Process Factors

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

BU ascertains community credit needs by collaborating with community development organizations through various banking activities that include training entrepreneurs and business owners, and participating in financial literacy workshops. BU is involved with various community groups and began an outreach educational program aiming to inform refugees in the Utica area on banking services and products.

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

BU markets its products and services via various media such as local newspapers, magazines, local radio and television ads within its assessment area.

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

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

None noted.

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.