

PUBLIC DISCLOSURE

July 5, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Wayne Bank
Certificate Number: 698

717 Main Street
Honesdale, Pennsylvania 18431

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution has not received any written complaints regarding its CRA performance; therefore, this criterion did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

Background

Wayne Bank is a community bank headquartered in Honesdale, Pennsylvania (PA). Wayne Bank is a wholly owned subsidiary of Norwood Financial Corporation, a one-bank holding company also headquartered in Honesdale. The bank operates throughout Northeastern PA and the Southern Tier and Upstate New York (NY). In July 2020, the bank expanded its geographic footprint in NY by acquiring USNY Bank, a \$463.8 million bank headquartered in Geneva, Ontario County, NY. Wayne Bank received a CRA rating of “Satisfactory” at the prior Federal Deposit Insurance Corporation (FDIC) Performance Evaluation dated September 23, 2019, using the Interagency Intermediate Small Institution Examination Procedures.

Operations

Wayne Bank operates 29 branch offices; 15 are in PA and 14 are in NY. Of the branches in NY, the bank acquired four of these branches through its acquisition of USNY Bank. Two of the branches in Otsego County operate as ‘Bank of Cooperstown, a unit of Wayne Bank.’ A branch in Ontario and one in Yates Counties operate as ‘Bank of the Finger Lakes, a unit of Wayne Bank.’ In addition to the four branches opened through the acquisition, the bank opened a branch in Luzerne County, PA, and closed branches in Sullivan and Delaware Counties, NY, during the evaluation period.

The bank offers a variety of credit products and services, including residential real estate, commercial, agricultural, and consumer loans. Wayne Bank also offers a variety of deposit services including personal and business checking, savings, money market deposit, certificates of deposit, holiday and vacation club, and individual retirement accounts. The bank also offers wealth management and trust services. Alternative banking services include online and mobile banking, remote deposit capture, electronic bill pay, telephone banking, and automated teller machines (ATMs). The bank maintains an ATM at each branch and one remote ATM in Otsego County.

Ability and Capacity

Bank assets totaled \$2.1 billion as of March 31, 2022, which included total loans of \$1.4 billion and total securities of \$434.9 million. Wayne Bank reported total deposits of \$1.8 billion. Since the prior evaluation, total assets, loans, and deposits have increased by 70.9 percent, 51.4 percent, and 82.6 percent, respectively. The increase in total assets, loans, and deposits since the prior evaluation is due to the bank’s acquisition of USNY Bank and normal business growth.

The following table illustrates Wayne Bank’s loan portfolio composition as of March 31, 2022.

Loan Portfolio Distribution as of March 31, 2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	19,406	1.4
Secured by Farmland	64,147	4.7
Secured by 1-4 Family Residential Properties	338,466	24.7
Secured by Multifamily (5 or more) Residential Properties	47,892	3.5
Secured by Nonfarm Nonresidential Properties	521,464	38.0
Total Real Estate Loans	991,375	72.3
Commercial and Industrial Loans	148,165	10.8
Agricultural Production and Other Loans to Farmers	36,749	2.7
Consumer Loans	151,458	11.0
Obligations of State and Political Subdivisions in the U.S.	43,963	3.2
Other Loans	117	0.0
Total Loans	1,371,827	100.0
<i>Source Reports of Condition and Income</i>		

The loan portfolio composition remained relatively consistent since the prior evaluation. The majority of the bank's loan portfolio consists of residential loans (28.2 percent) and commercial loans (48.8 percent). With its acquisition of USNY Bank, the bank diversified its loan composition by adding agriculture loans to its portfolio. During the review period, the bank sold 115 residential mortgage loans totaling \$22.9 million on the secondary market.

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its supervisory agency will evaluate its CRA performance. Wayne Bank designates five assessment areas located within two state-rated areas of PA and NY. Within PA, the bank designates three assessment areas including the PA Non-Metropolitan Statistical Area (MSA), New York-Newark, NY-New Jersey (NJ)-Connecticut (CT)-PA Combined Statistical Area (NY CSA), and Scranton-Wilkes-Barre, PA MSA (Scranton MSA). Within NY, the bank designates two assessment areas including NY Non-MSA and Rochester, NY MSA (Rochester MSA). Collectively, examiners refer to these five assessment areas as the combined assessment area.

During the evaluation period, the bank expanded its assessment areas in NY to include Ontario, Otsego, and Yates Counties resulting from the USNY Bank acquisition. Detailed descriptions of economic and demographic data are contained within the sections addressing each individual assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 23, 2019, to the current evaluation dated July 5, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Wayne Bank's CRA performance. These procedures include the Lending Test and Community Development Test. Please refer to the Appendices for a complete description of these tests.

Examiners conducted a full-scope review of the bank's performance in each assessment area except for the Rochester MSA assessment area, which received a limited-scope review. The PA and NY state rated areas received equal weight to overall ratings and conclusions, as both areas have a similar volume of loans, branches, and deposits.

Activities Reviewed

Examiners determined Wayne Bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy, as well as the number and dollar volume of loans originated during the evaluation. While the volume of small business loan originations exceeded that of home mortgage during the review period, examiners gave greater weight to home mortgage lending when forming overall conclusions. This is because a significant volume of small business loans originated in 2020 and 2021 were Paycheck Protection Program (PPP) loans, which is a short-term loan product offered through, and forgiven by, the United States Small Business Administration (SBA) in response to the COVID-19 pandemic. The bank originated a lower dollar volume of consumer and small farm loans during the review period. This evaluation did not consider consumer and small farm lending, as they did not represent major product lines.

This evaluation considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). Wayne Bank originated 288 home mortgage loans totaling \$45.4 million in 2019, 472 home mortgage loans totaling \$90.5 million in 2020, and 574 home mortgage loans totaling \$121.5 million in 2021. Due to asset size, Wayne Bank is not required to collect or report small business loans; however, the bank collected sufficient data for the Geographic Distribution analysis, but not for the Borrower Profile analysis. Wayne bank originated 335 small business loans totaling \$71.9 million in 2019; 1,370 small business loans totaling \$137.6 million in 2020; and 1,016 small business loans totaling \$102.6 million in 2021. For the Borrower Profile of the bank's small business lending, examiners reviewed the bank's performance for only 2021, as this is when the bank voluntarily began collecting gross annual revenue (GAR) data. In comparison to prior years, the bank's volume of small business loans increased in 2020 and 2021, reflecting the bank's participation in SBA's PPP. PPP loans helped small businesses with expenses related to payroll, rent, and utilities during the COVID-19 pandemic. Except for the Assessment Area Concentration table and the Distribution of Small Business Loans by Gross Annual Revenue Category table, the CRA evaluation presents only 2020 and 2021 loan data, as 2019 loan data did not materially affect conclusions. For comparative purposes, the evaluation presents 2020 aggregate HMDA data, 2015 American Community Survey

(ACS) data, and 2020 and 2021 D&B data. Although this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number because number of loans is a better indicator of the number of individuals and businesses served.

Bank management provided information on community development loans, qualified investments, and community development services since the prior CRA evaluation dated September 23, 2019.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Wayne Bank’s overall Lending Test rating is “Satisfactory.” The bank’s reasonable performance in the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criterion supports this rating. Wayne Bank’s overall Lending Test performance was consistent among the PA and NY rated areas. As applicable, examiners weighed the bank’s performance in both rated areas equally when arriving at conclusions for each performance criteria in the Lending Test.

This section presents Wayne Bank’s Lending Test performance at the institution level. Refer to the separate assessment area sections for details regarding the bank’s performance in those specific areas.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. Wayne Bank’s LTD ratio, calculated from Call Report data, averaged 86.3 percent over the past 11 calendar quarters from September 30, 2019, to March 31, 2022. The LTD ratio fluctuated during the evaluation period, ranging from a low of 76.0 percent (March 31, 2022) to a high of 95.4 percent (December 31, 2019). The bank’s average LTD ratio is above the 82.1 percent average LTD ratio reported at the prior evaluation.

Wayne Bank also maintained a reasonable average net LTD ratio compared to that of similarly situated institutions, as shown in the table below. Examiners selected these institutions based on geographic location, lending focus, and asset size.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2022 (\$000s)	Average Net LTD Ratio (%)
Wayne Bank	2,078,545	86.3
The Dime Bank	959,353	88.6
First Keystone Community Bank	1,295,027	75.2
FNCB Bank	1,642,809	74.3
The Honesdale National Bank	957,313	78.6
<i>Source: Reports of Condition and Income 9/30/2019 – 3/31/2022</i>		

Assessment Area Concentration

A majority of loans are in the institution's assessment areas. The following table presents, by number and dollar volume, home mortgage and small business loans made inside and outside the combined assessment area.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	265	92.0	23	8.0	288	42,475	93.5	2,971	6.5	45,446
2020	413	87.5	59	12.5	472	77,509	85.6	12,987	14.4	90,496
2021	507	88.3	67	11.7	574	95,721	78.8	25,735	21.2	121,456
Subtotal	1,185	88.8	149	11.2	1,334	215,705	83.8	41,693	16.2	257,398
Small Business										
2019	204	60.9	131	39.1	335	38,456	53.5	33,445	46.5	71,901
2020	1,095	79.9	275	20.1	1,370	102,104	74.2	35,451	25.8	137,555
2021	797	78.4	219	21.6	1,016	75,574	73.6	27,045	26.4	102,619
Subtotal	2,096	77.0	625	23.0	2,721	216,134	69.3	95,941	30.7	312,075
Total	3,281	80.9	774	19.1	4,055	431,839	75.8	137,634	24.2	569,473

Source Bank Data. Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Wayne Bank's performance in the Geographic Distribution criterion was consistent among the rated areas. The bank's reasonable performance of lending in low- and moderate-income census tracts in the PA and NY rated areas supports this conclusion.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different incomes and businesses of different sizes. Wayne Bank's performance in the Borrower Profile criterion was consistent among the rated areas. The bank's reasonable performance of lending to low- and moderate-income borrowers and to businesses with GARs of \$1.0 million or less in the PA and NY rated areas supports this conclusion.

Response to Complaints

Wayne Bank has not received any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Wayne Bank’s overall Community Development Test rating is “Satisfactory.” The bank’s reasonable performance in providing community development activities through loans, investments, and services supports this rating. Wayne Bank’s overall Community Development Test performance was consistent among the PA and NY rated areas. Examiners weighed the bank’s performance in both rated areas equally when arriving at conclusions for the Community Development Test.

This section presents Wayne Bank’s Community Development Test performance at the institution level. Refer to the separate assessment area sections for details regarding the bank’s performance in those specific areas.

Community Development Loans

During the evaluation period, Wayne Bank originated 110 community development loans totaling \$36.0 million. This level of activity represents 2.1 percent of average total assets and 2.9 percent of average total loans since the prior evaluation. Wayne Bank significantly increased its volume of community development lending since the prior evaluation. At the prior evaluation, the bank originated 42 community development loans totaling \$22.5 million, representing 2.0 percent of average total assets and 2.9 percent of average total loans at that evaluation. This increase is largely due to the bank’s participation in SBA’s PPP. During 2020 and 2021, the bank originated 85 PPP loans totaling \$15.1 million that received consideration in the Community Development Test. The following table illustrates the bank’s community development lending activity by rated area and purpose. For additional details on community development loans, please refer to the individual assessment areas.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Pennsylvania	11	2,353	1	7,504	4	2,485	34	12,415	50	24,757
New York	4	2,526	0	0	2	273	54	8,404	60	11,203
Total	15	4,879	1	7,504	6	2,758	88	20,819	110	35,960
<i>Source Bank Data</i>										

Qualified Investments

During the evaluation period, Wayne Bank made 74 qualified investments totaling \$6.2 million. This volume includes three new qualified investment totaling nearly \$5.3 million, one prior period investment still outstanding of \$695,508, and 70 donations totaling \$279,181. Qualified investments represent 0.4 percent of average total assets and 2.3 percent of average total securities since the prior evaluation. Wayne Bank’s volume of qualified investments increased in dollar amount since the prior evaluation. At the prior evaluation, Wayne Bank had 162 qualified investments and donations totaling over \$3.1 million. This amount represents 0.3 percent of average total assets and 1.2 percent of average total securities during that evaluation. The following

table illustrates the bank’s qualified investment activity by rated area and purpose. For additional details on qualified investments, please refer to the individual assessment areas.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Pennsylvania	4	5,960	45	269	6	6	0	0	55	6,235
New York	0	0	19	5	0	0	0	0	19	5
Total	4	5,960	64	274	6	6	0	0	74	6,240
<i>Source Bank Data</i>										

Community Development Services

Directors, senior officers, managers, and employees, while representing the bank, participated in community organizations and various nonprofit groups that support community development efforts within all assessment areas. During the evaluation period, Wayne Bank’s staff provided 136 instances of financial expertise or technical assistance to community development-related organizations in the combined assessment area. Wayne Bank’s level of community development service increased since the prior evaluation. During the prior evaluation period, Wayne Bank reported 83 instances of community development service. The following table illustrates the bank’s community development service by rated area and purpose. For additional details on community development services, please refer to the individual assessment areas.

Community Development Service by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Pennsylvania	8	53	39	0	100
New York	0	26	10	0	36
Total	8	79	49	0	136
<i>Source Bank Data</i>					

In addition to the community development service instances provided, the bank operates five branch offices in moderate-income census tracts; two are in the PA Non-MSA assessment area and one each in the NY CSA, Scranton MSA, and NY Non-MSA assessment areas. These five branches provide banking services to the high level of low- and moderate-income individuals and families in the assessment areas.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s overall CRA rating.

PENNSYLVANIA

CRA RATING FOR PENNSYLVANIA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN PENNSYLVANIA

The PA state rated area includes three assessment areas: the PA Non-MSA, NY CSA, and Scranton MSA. The bank operates 15 branch offices within the rated area; 5 are in the PA Non-MSA assessment area, 6 are in the NY CSA assessment area, and 4 are in the Scranton MSA assessment area. Collectively, examiners refer to these three areas as the combined PA assessment area. The bank's operations in the combined PA assessment area represent 49.9 percent of total in-assessment area lending (by number), 47.0 percent of total deposits, and 51.7 percent of total branches. Refer to the separate PA Non-MSA, NY CSA and Scranton MSA sections for a detailed description of each assessment area.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs of the community. This information helps examiners determine whether local financial institutions are responsive to those needs.

For this evaluation, examiners reviewed a recent community contact of a representative of an organization that provides grants and connects donors to nonprofit organizations operating in Northeastern PA. The contact identified a significant need for financing of affordable rental units and mortgage lending, citing increased population growth due to an influx of jobs. According to the contact, numerous corporations have opened offices and warehouses in Luzerne County and surrounding areas, which has increased rents and led to a shortage of entry-level homes for first-time homebuyers. The contact also identified a significant need for financing of small businesses, particularly for start-up businesses or businesses trying to expand. Overall, the contact indicated that local financial institutions have been responsive to the credit and community development needs of Northeastern PA.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, and bank management, as well as demographic and economic data, examiners determined that affordable housing programs, programs designed to assist first-time homebuyers with closing costs, and home improvement loans are primary credit and community development needs within the assessment area. In addition, flexible and low-cost small business loan programs, particularly loan programs for start-up businesses, are community needs as well.

SCOPE OF EVALUATION - PENNSYLVANIA

This portion of the evaluation considers activity within the PA Non-MSA, NY CSA, and Scranton MSA assessment areas. Please refer to the overall Scope of Evaluation section for information on products and timeframe reviewed. Of the three assessment areas, the bank's performance in the PA Non-MSA and NY CSA assessment areas carried the most weight in determining the state rating and conclusions, as these assessment areas account for the largest portion of lending, deposits, and branches in the state. Examiners used full-scope procedures to assess the bank's performance in the three assessment areas.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PENNSYLVANIA

LENDING TEST

Wayne Bank's Lending Test rating is "Satisfactory" in PA. The bank's reasonable performance in the PA Non-MSA and Scranton MSA assessment areas supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the PA assessment areas. Examiners based this conclusion on the distribution of home mortgage and small business loans in low- and moderate-income census tracts in the PA Non-MSA and Scranton MSA assessment areas.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes throughout the PA assessment areas. Examiners based this conclusion on the penetration of home mortgage loans to low- and moderate-income borrowers and of small business loans originated in 2021 to businesses with GAR of \$1.0 million or less in the PA Non-MSA and Scranton MSA assessment areas.

COMMUNITY DEVELOPMENT TEST

Wayne Bank's Community Development Test rating is "Satisfactory" in PA. The bank's adequate performance in each of the PA assessment areas supports this conclusion.

Community Development Loans

During the evaluation period, Wayne Bank originated 50 community development loans totaling \$24.8 million benefitting PA. At the prior evaluation, the bank made 34 community development loans totaling \$16.1 million in the combined PA assessment area. The following table illustrates the bank's community development lending activity by PA area and purpose.

Community Development Lending Pennsylvania State Rated Area										
PA Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
PA Non-MSA	2	90	0	0	0	0	9	4,838	11	4,928
NY CSA	2	500	1	7,504	1	1,385	9	221	13	9,610
Scranton MSA	7	1,763	0	0	3	1,100	5	5,705	15	8,568
Regional/Statewide	0	0	0	0	0	0	11	1,651	11	1,651
Total	11	2,353	1	7,504	4	2,485	34	12,415	50	24,757
<i>Source Bank Data</i>										

Since Wayne Bank was responsive to community development needs and opportunities within its assessment areas, examiners considered community development loans that benefitted the broader regional and statewide area. In 2020 and 2021, the bank originated 11 PPP loans totaling nearly \$1.7 million to businesses located in low- or moderate-income census tracts in PA but outside any assessment area. These loans revitalize or stabilize low- and moderate-income census tracts by supporting businesses affected by the COVID-19 pandemic that are located in these tracts.

Qualified Investments

During the evaluation period, the bank made 55 qualified investments and donations totaling \$6.2 million benefitting PA. This includes three new qualified investment totaling nearly \$5.3 million, one prior period investment still outstanding of \$695,508, and 51 donations totaling \$274,525. The four qualified investments totaling nearly \$6.0 million benefitted the PA statewide area that includes all three PA assessment areas. The following table illustrates the bank's qualified investment activity by PA area and purpose.

Qualified Investments Pennsylvania State Rated Area										
PA Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
PA Non-MSA	0	0	21	173	1	2	0	0	22	175
NY CSA	0	0	6	2	0	0	0	0	6	2
Scranton MSA	0	0	7	4	4	3	0	0	11	7
Regional/Statewide	4	5,960	11	90	1	1	0	0	16	6,051
Total	4	5,960	45	269	6	6	0	0	55	6,235
<i>Source Bank Data</i>										

The following is a sample of qualified investments that benefit the statewide area.

- In 2021, the bank purchased \$1.0 million in single-family mortgage revenue bonds through the PA Housing Finance Agency. Mortgages on low- and moderate-income public housing units secure the bonds. These mortgages are located in the PA statewide area, which includes the bank's assessment areas. This investment supports affordable housing in the PA assessment areas.

- In 2022, the bank purchased a \$3.2 million Federal National Mortgage Association (Fannie Mae) mortgage-backed security (MBS). The security consists of 18 mortgages, all of which were to borrowers of low- or moderate-income levels, and nearly all of which were in the combined PA assessment area. This investment supports affordable housing in the PA assessment areas.
- In 2022, the bank purchased a \$1.0 million Federal Home Loan Mortgage Corporation (Freddie Mac) MBS. The security consists of six mortgages in the combined PA assessment area, all of which were to borrowers of low- or moderate-income levels. This investment supports affordable housing in the PA assessment areas.

Community Development Services

During the evaluation period, bank staff provided 100 instances of financial expertise or technical assistance to community development-related organizations in the PA rated area. The following table illustrates the bank’s community development services by PA area and purpose.

Community Development Services Pennsylvania State Rated Area					
PA Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
PA Non-MSA	8	14	8	0	30
NY CSA	0	6	1	0	7
Scranton MSA	0	6	6	0	12
Regional/Statewide	0	27	24	0	51
Total	8	53	39	0	100
<i>Source Bank Records</i>					

The following is a sample of community development services that benefit the regional/statewide area. These organizations serve an area beyond the bank’s individual assessment area.

- During the evaluation period, seven bank staff members served as Board of Directors (Board) and/or committee members of a regional community and economic development agency. The organization, headquartered in Luzerne County, serves seven counties in Northeastern PA. The organization services include federal and state grant assistance, business financing, government contracting assistance, international trade assistance, nonprofit assistance, and transportation planning and research. The bank's strong participation in this organization supports economic development in the Northeastern PA regional area.
- During the evaluation period, six bank staff members served on the Board and/or committees of a nonprofit organization headquartered in Scranton, PA and serves both Lackawanna and Wayne Counties. The organization provides emergency assistance to a large volume of low- and moderate- income individuals and families, particularly those affected by the COVID-19 pandemic. The bank's participation in this organization supports community development services within the Northeast PA regional area.

- During the evaluation period, two bank staff members participated as Board members of an economic development organization serving the Northern Poconos area including Wayne and Pike Counties. The organization raises awareness of businesses, tourism, and serves as a resource for consumers and small businesses. The organization advocates for responsible economic growth by offering a variety of services and educational opportunities.

In 2020, Wayne Bank began participating in the Federal Home Loan Bank (FHLB) of Pittsburgh's Home4Good program. This program helps those who are homeless or at risk of homelessness by channeling dollars to local service organizations that have experience in providing housing. As an FHLB member bank, Wayne Bank participates in the Home4Good application process. During 2020 and 2021, Wayne Bank supported 63 approved projects that provided homeless prevention within the Eastern and Northeastern PA regional areas.

PA NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PA NON-MSA ASSESSMENT AREA

The PA Non-MSA assessment area includes Wayne County, which is outside of any metropolitan area. The bank operates 5 branch offices within this assessment area. The bank’s operations in the assessment area represent 17.2 percent of total in-assessment area lending (by number), 23.7 percent of total deposits, and 17.2 percent of total branches.

Economic and Demographic Data

There are 14 census tracts within the PA Non-MSA assessment area. The tracts reflect the following income designations according to 2015 ACS data:

- 0 low-income census tracts,
- 1 moderate-income census tract,
- 12 middle-income census tracts, and
- 1 upper-income census tract.

The following table shows the demographic information for the assessment area.

Demographic Information of the PA Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	0.0	7.1	85.7	7.1	0.0
Population by Geography	51,642	0.0	8.4	84.7	7.0	0.0
Housing Units by Geography	31,847	0.0	7.3	84.9	7.8	0.0
Owner-Occupied Units by Geography	15,481	0.0	6.6	84.4	9.0	0.0
Occupied Rental Units by Geography	3,825	0.0	23.6	72.9	3.5	0.0
Vacant Units by Geography	12,541	0.0	3.1	89.3	7.6	0.0
Businesses by Geography	4,849	0.0	17.2	76.8	6.0	0.0
Farms by Geography	292	0.0	2.7	85.6	11.6	0.0
Family Distribution by Income Level	13,254	15.2	17.4	23.6	43.8	0.0
Household Distribution by Income Level	19,306	20.5	14.7	18.9	46.0	0.0
Median Family Income Non-MSAs - PA		\$56,172	Median Housing Value			\$181,177
Families Below Poverty Level		7.9%	Median Gross Rent			\$829
<i>Source 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

There are 31,847 total housing units in the assessment area. Of these, 48.6 percent are owner-occupied, 12.0 percent are occupied rental units, and 39.4 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing

units. As shown above, 7.3 percent of the total owner-occupied housing units are located in moderate-income census tracts. This data reflects the low level of opportunities lenders have to originate home mortgage loans within this income geography.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the income categories for the PA Non-MSA assessment area for 2020 and 2021.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
PA Non-MSA Median Family Income (99999)				
2020 (\$64,900)	<\$32,450	\$32,450 to <\$51,920	\$51,920 to <\$77,880	≥\$77,880
2021 (\$65,100)	<\$32,550	\$32,550 to <\$52,080	\$52,080 to <\$78,120	≥\$78,120
<i>Source FFIEC</i>				

The Geographic Distribution criterion for small business lending compares these loans to the distribution of businesses within the assessment area. The Borrower Profile criterion considers the GARs of these businesses. According to 2021 D&B data, there were 4,849 businesses within the assessment area. The GARs of the businesses are as follows:

- 89.4 percent had GARs of \$1.0 million or less,
- 3.2 percent had GARs of more than \$1.0 million, and
- 7.4 percent had unreported GARs.

Service industries represent the largest percent of businesses at 35.2 percent, followed by non-classifiable establishments (16.7 percent); retail trade (11.9 percent); construction (10.4 percent); and finance, insurance and real estate (8.2 percent). Within the assessment area, 68.2 percent of businesses have four or less employees and 93.5 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to PA’s Department of Labor & Industry, top employers within the assessment area include PA State Government, Wayne County Memorial Hospital Association, Wayne County Commissioners, Federal Government, and Wal-Mart Associates, Inc.

The following table details the unemployment data from the Bureau of Labor Statistics for the assessment area and related areas. In each area, the 2020 unemployment rates increased due to the COVID-19 pandemic.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Wayne County	5.5	8.1	4.9
State of PA	4.3	7.9	4.4
National Average	3.6	6.7	3.9
<i>Source Bureau of Labor Statistics</i>			

Competition

There is a moderately competitive market for financial and credit services in the assessment area. According to the FDIC Summary of Deposits as of June 30, 2021, there were 7 FDIC-insured institutions operating 20 branch offices within Wayne County. Of these institutions, Wayne Bank ranked 3rd with a 22.3 percent market share by total deposits and tied for 1st with a 25.0 percent market share by total branches.

There is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2020 Peer Mortgage Data, 229 lenders originated or purchased 2,454 home mortgage loans. Of these lenders, Wayne Bank ranked 6th by number of originations or purchases capturing 3.1 percent of total market share. The other top most prominent mortgage lenders in the assessment area included The Honesdale National Bank; Summit Mortgage Corporation; Quicken Loans, LLC; and The Dime Bank.

Wayne Bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include aggregate data comparisons. The aggregate data, however, reflects the level of demand for small business loans and is, therefore, included for performance context. Aggregate data for 2020 shows that 67 reporting institutions originated or purchased 691 small business loans in the assessment area, indicating a moderate degree of competition for this product. The top most prominent small business lenders in the assessment area included American Express National Bank; JPMorgan Chase Bank, N.A.; Citibank, N.A.; and Wells Fargo Bank, N.A.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PA NON-MSA ASSESSMENT AREA

LENDING TEST

Wayne Bank demonstrated reasonable performance under the Lending Test in this assessment area. The bank's reasonable performance in Geographic Distribution and Borrower Profile supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Wayne Bank's adequate performance of home mortgage and small business lending supports this

conclusion. Examiners focused on the number of loans in moderate-income census tracts, as there are no low-income census tracts in this assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank’s performance in 2020 of lending in moderate-income census tracts slightly exceeded demographic and aggregate data. The opportunity to lend in moderate-income census tracts is limited as only 6.6 percent of owner-occupied housing units are in moderate-income census tracts. In 2021, the bank’s performance of lending in moderate-income census tracts remained stable and slightly exceeded demographic data.

Geographic Distribution of Home Mortgage Loans						
PA Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	6.6	5.6	6	7.8	1,240	8.9
2021	6.6	--	8	7.1	1,155	5.9
Middle						
2020	84.4	87.3	61	79.2	10,124	73.1
2021	84.4	--	96	85.0	16,570	84.5
Upper						
2020	9.0	7.1	10	13.0	2,494	18.0
2021	9.0	--	9	8.0	1,879	9.6
Totals						
2020	100.0	100.0	77	100.0	13,858	100.0
2021	100.0	--	113	100.0	19,604	100.0

Source 2015 ACS; Bank Data, and 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank’s lending performance during 2020 in moderate-income census tracts slightly trailed demographic data. In 2021, the bank’s percentage of loans in moderate-income census tracts slightly increased and was similar to demographic data.

Geographic Distribution of Small Business Loans					
PA Non-MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2020	17.2	24	15.5	3,095	27.5
2021	17.2	21	17.8	2,821	28.1
Middle					
2020	76.9	120	77.4	7,903	70.1
2021	76.8	87	73.7	6,037	60.1
Upper					
2020	5.9	11	7.1	270	2.4
2021	6.0	10	8.5	1,183	11.8
Totals					
2020	100.0	155	100.0	11,267	100.0
2021	100.0	118	100.0	10,041	100.0
<i>Source 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers and the number of small business loans originated in 2021 to businesses with GAR of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income, is reasonable. As shown in the following table, the bank's home mortgage lending in 2020 to low-income borrowers slightly trailed aggregate data and trailed demographic data. In 2021, the bank's performance of lending to low-income borrowers slightly improved, yet continued to trail demographic data. However, a low-income family in the assessment area is not likely to qualify for a mortgage under conventional underwriting standards considering the median housing value of \$181,177. Therefore, the opportunities to lend to low-income families are limited. This fact helps explain the difference between bank and aggregate performance in lending to low-income borrowers compared to the percentage of families at this income level.

The bank's penetration of home mortgage loans to moderate-income borrowers in 2020 trailed demographic data, but exceeded aggregate data. In 2021, the penetration of home mortgage loans to moderate-income borrowers slightly declined and trailed demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
PA Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	15.2	3.0	1	1.3	73	0.5
2021	15.2	--	4	3.5	163	0.8
Moderate						
2020	17.4	10.1	12	15.6	1,124	8.1
2021	17.4	--	15	13.3	1,830	9.3
Middle						
2020	23.6	16.3	16	20.8	1,710	12.3
2021	23.6	--	21	18.6	2,789	14.2
Upper						
2020	43.8	54.7	43	55.8	9,709	70.1
2021	43.8	--	64	56.6	13,786	70.3
Not Available						
2020	0.0	15.8	5	6.5	1,241	9.0
2021	0.0	--	9	8.0	1,037	5.3
Totals						
2020	100.0	100.0	77	100.0	13,858	100.0
2021	100.0	--	113	100.0	19,604	100.0
<i>Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. As shown in the following table, while Wayne Bank's penetration of loans in 2021 to businesses with GAR of \$1.0 million or less trailed demographic data, the bank's performance reflects reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
PA Non-MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	89.4	90	76.3	4,265	42.5
>\$1,000,000	3.2	22	18.6	5,215	51.9
Revenue Not Available	7.4	6	5.1	561	5.6
Total	100.0	118	100.0	10,041	100.0
<i>Source 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Wayne Bank’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

During the evaluation period, the bank originated 11 community development loans totaling \$4.9 million that specifically benefit the PA Non-MSA assessment area. The following table illustrates the bank’s community development lending by activity year and purpose.

Community Development Lending PA Non-MSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	1	40	0	0	0	0	0	0	1	40
2020	0	0	0	0	0	0	5	3,780	5	3,780
2021	0	0	0	0	0	0	4	1,058	4	1,058
YTD 2022	1	50	0	0	0	0	0	0	1	50
Total	2	90	0	0	0	0	9	4,838	11	4,928

Source Bank Data

The following is a sample of community development loans that benefit the assessment area.

- In 2019 and 2022, the bank originated two loans totaling \$90,000 to a national nonprofit affordable housing organization operating in Wayne County, PA. The loan proceeds funded the purchase of land for a future house and established a revolving line-of-credit for the construction of the house. These loans support affordable housing in the assessment area.
- In 2020 and 2021, the bank originated nine PPP loans totaling \$4.8 million to businesses located in moderate-income census tracts in the assessment area. These loans revitalize or stabilize the moderate-income census tracts by supporting businesses affected by the COVID-19 pandemic that are located in these tracts.

Qualified Investments

In addition to the nearly \$6.1 million in regional/statewide qualified investments that benefit all of PA, the bank made 22 donations, including Education Investment Tax Credits (EITCs), totaling \$175,075 during the evaluation period that specifically benefit the PA Non-MSA assessment area. The bank donated to organizations primarily supporting community development services. The following is a sample of donations and EITCs that benefit the assessment area.

- In 2020 and 2021, the bank made donations totaling \$9,000 to an organization hosting an emergency food bank for Wayne County. Many area residents needed the food assistance

due to the COVID-19 pandemic. These donations support community development services in the assessment area.

- During the evaluation period, the bank purchased \$19,000 in EITCs. One EITC related to a nonprofit community organization that serves Wayne County, and two EITCs provided scholarships to students of low- and moderate-income families. The EITCs support community development services in the assessment area.

Community Development Services

During the evaluation period, bank staff provided 30 instances of financial expertise or technical assistance to community development-related organizations that are specific to the assessment area. These community development instances are in addition to any instances noted within the PA regional/statewide area that also includes this assessment area. The following table illustrates the bank’s community development services by activity year and purpose.

Community Development Services PA Non-MSA Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	2	2	2	0	6
2020	2	4	2	0	8
2021	2	4	2	0	8
YTD 2022	2	4	2	0	8
Total	8	14	8	0	30
<i>Source Bank Records</i>					

The following is a sample of community development services that benefit the assessment area.

- An employee serves as Board member and Grants Committee Chairman of a community foundation that serves Wayne County. One of the organization’s primary goals is to build a charitable reserve of funds for the current and future needs for low- and moderate-income residents of Wayne County. The employee provides financial expertise to this community development service organization.
- Two bank employees serve separately as a Board President and Treasurer of a Wayne County nonprofit organization dedicated to helping families in need achieve the knowledge, stability, and self-reliance that comes with affordable home ownership. As a Board member and Treasurer, the bank employees help oversee the organization’s affordable housing program geared to low- and moderate-income individuals. This organization supports affordable housing in the assessment area.
- A bank employee serves on a financial committee of a community development organization that serves Wayne County. The organization focuses on a 10-year Comprehensive Plan to enhance the community and help guide development within Wayne County. The bank’s participation in the organization supports economic development within the assessment area.

NY CSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NY CSA ASSESSMENT AREA

The NY CSA assessment area includes Monroe and Pike Counties. Monroe County comprises the entire East Stroudsburg, PA MSA 20700 and Pike County is part of the Newark, NJ-PA Metropolitan Division (MD) 35084, which is part of the New York-Newark-Jersey City, NY-NJ-PA MSA 35620. The MSA and MD are part of the larger New York-Newark, NY-NJ-CT-PA CSA 408. Examiners analyzed the bank’s performance in each MSA; since performance results were similar, activities are presented at the CSA level.

Wayne Bank operates 6 branch offices within this assessment area; 4 are in Monroe County and 2 are in Pike County. The bank’s operations in the assessment area represent 19.9 percent of total in-assessment area lending (by number), 17.9 percent of total deposits, and 20.7 percent of total branches.

Economic and Demographic Data

There are 51 census tracts within the NY CSA assessment area. The tracts reflect the following income designations according to 2015 ACS data:

- 0 low-income census tracts,
- 16 moderate-income census tract,
- 33 middle-income census tracts, and
- 2 upper-income census tract.

The following table shows the demographic information for the assessment area.

Demographic Information of the NY CSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	51	0.0	31.4	64.7	3.9	0.0
Population by Geography	224,513	0.0	21.8	74.2	4.0	0.0
Housing Units by Geography	119,145	0.0	27.0	70.0	3.0	0.0
Owner-Occupied Units by Geography	62,619	0.0	21.1	74.9	4.0	0.0
Occupied Rental Units by Geography	15,757	0.0	32.9	64.1	3.1	0.0
Vacant Units by Geography	40,769	0.0	33.7	64.9	1.4	0.0
Businesses by Geography	19,633	0.0	26.7	69.3	4.0	0.0
Farms by Geography	531	0.0	20.7	71.4	7.9	0.0
Family Distribution by Income Level	56,950	23.3	19.7	21.8	35.2	0.0
Household Distribution by Income Level	78,376	25.0	17.6	19.7	37.8	0.0
Median Family Income - 35084 Newark, NJ-PA MD	\$90,570	Median Housing Value				\$181,894
Median Family Income - 20700 East Stroudsburg, PA MSA	\$66,783	Median Gross Rent				\$1,050
		Families Below Poverty Level				8.8%

Source 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

There are 119,145 total housing units in the assessment area. Of these, 52.6 percent are owner-occupied, 13.2 percent are occupied rental units, and 34.2 percent are vacant. As shown above, 21.8 percent of the total owner-occupied housing units are located in moderate-income census tracts. This data reflects the moderate level of opportunities lenders have to originate home mortgage loans within this income geography.

The following table illustrates the income categories for the NY CSA assessment area for 2020 and 2021.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
East Stroudsburg, PA MSA Median Family Income (20700)				
2020 (\$79,100)	<\$39,550	\$39,550 to <\$63,280	\$63,280 to <\$94,920	≥\$94,920
2021 (\$81,500)	<\$40,750	\$40,750 to <\$65,200	\$65,200 to <\$97,800	≥\$97,800
Newark, NJ-PA MD Median Family Income (35084)				
2020 (\$103,200)	<\$51,600	\$51,600 to <\$82,560	\$82,560 to <\$123,840	≥\$123,840
2021 (\$105,600)	<\$52,800	\$52,800 to <\$84,480	\$84,480 to <\$126,720	≥\$126,720

Source FFIEC

According to 2021 D&B data, there were 19,633 businesses within the assessment area. The GARs of the businesses were as follows:

- 90.9 percent had GARs of \$1.0 million or less,
- 2.4 percent had GARs of more than \$1.0 million, and
- 6.7 percent had unreported GARs.

Service industries represent the largest percent of businesses at 35.3 percent, followed by non-classifiable establishments (20.5 percent); retail trade (12.2 percent); finance, insurance and real estate (9.3 percent); and construction (8.8 percent). Within the assessment area, 65.0 percent of businesses have four or less employees, and 93.8 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to PA’s Department of Labor & Industry, top employers within the assessment area include Federal Government, Aventis Pasteur, Inc., Wal-Mart Associates, Inc., Delaware Valley School District, and Woodloch Pines, Inc.

The following table details the unemployment data from the Bureau of Labor Statistics for the assessment area and related areas. In each area, the 2020 unemployment rates increased due to the COVID-19 pandemic.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Monroe County	5.4	9.3	5.7
Pike County	5.7	8.5	5.5
State of PA	4.3	7.9	4.4
National Average	3.6	6.7	3.9
<i>Source Bureau of Labor Statistics</i>			

Competition

There is a moderately competitive market for financial and credit services in the assessment area. According to the FDIC Summary of Deposits as of June 30, 2021, there were 17 FDIC-insured institutions operating 58 branch offices within Monroe and Pike Counties. Of these institutions, Wayne Bank ranked 7th with a 6.4 percent market share by total deposits and tied for 3rd with a 10.3 percent market share by total branches.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2020 Peer Mortgage Data, 421 lenders originated or purchased 10,669 home mortgage loans. Of these lenders, Wayne Bank ranked 30th by number of originations or purchases capturing 0.8 percent of total market share. The top most prominent mortgage lenders in the assessment area included Quicken Loans, LLC; Wells Fargo Bank, N.A.; ESSA Bank & Trust; and Freedom Mortgage Corporation.

There is a moderate level of competition for small business loans within the assessment area. Aggregate data for 2020 shows that 102 reporting institutions originated or purchased 4,898 small

business loans in the assessment area, indicating a moderate degree of competition for this product. The top most prominent small business lenders in the assessment area included American Express National Bank; Synchrony Bank; Wells Fargo Bank, N.A.; and PNC Bank, N.A.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NY CSA ASSESSMENT AREA

LENDING TEST

Wayne Bank demonstrated reasonable performance under the Lending Test in this assessment area. The bank's reasonable performance in Geographic Distribution and Borrower Profile supports this conclusion. As previously stated, the bank's performance in this assessment area was evaluated at the MSA, reflecting reasonable performance in both MSAs. Activities are presented at the CSA level.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Wayne Bank's reasonable performance of home mortgage lending supports this conclusion. Examiners focused on the number of loans in moderate-income census tracts. There are no low-income census tracts in this assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's performance in 2020 of lending in moderate-income census tracts exceeded demographic and aggregate data. In 2021, the bank's performance of lending in moderate-income census tracts increased and remained above demographic data.

Geographic Distribution of Home Mortgage Loans						
NY CSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	21.1	23.1	33	39.8	9,541	50.5
2021	21.1	--	48	43.6	9,721	49.9
Middle						
2020	74.9	74.0	49	59.0	9,068	48.0
2021	74.9	--	61	55.5	9,550	49.1
Upper						
2020	4.0	2.9	1	1.2	280	1.5
2021	4.0	--	1	0.9	192	1.0
Totals						
2020	100.0	100.0	83	100.0	18,889	100.0
2021	100.0	--	110	100.0	19,462	100.0

Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's lending performance during 2020 in moderate-income census tracts slightly exceeded demographic data. In 2021, while the volume of loans originated in moderate-income census tracts declined, the bank's percentage of loans in such tracts remained the same and exceeded demographic data.

Geographic Distribution of Small Business Loans					
NY CSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2020	27.4	70	29.4	4,193	24.4
2021	26.7	35	29.4	2,460	19.4
Middle					
2020	68.8	164	68.9	12,556	73.1
2021	69.3	83	69.7	10,208	80.5
Upper					
2020	3.9	4	1.7	426	2.5
2021	4.0	1	0.8	11	0.1
Totals					
2020	100.0	238	100.0	17,175	100.0
2021	100.0	119	100.0	12,678	100.0
<i>Source 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage lending in both MSAs supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers and the number of small business loans originated in 2021 to businesses with GAR of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income, is reasonable. As shown in the following table, the bank's home mortgage lending in 2020 to low-income borrowers exceeded aggregate data, but trailed demographic data. In 2021, the bank's performance of lending to low-income borrowers slightly declined and trailed demographic data. A low-income family in the assessment area is not likely to qualify for a mortgage under conventional underwriting standards considering the median housing value of \$181,894. Therefore, the opportunities to lend to low-income families are limited. This fact helps explain the difference between bank and aggregate performance in lending to low-income borrowers compared to the percentage of families at this income level.

The bank's penetration of home mortgage loans to moderate-income borrowers in 2020 trailed demographic and aggregate data. In 2021, the penetration of home mortgage loans to moderate-income borrowers improved and exceeded demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
NY CSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	23.3	7.3	13	15.7	1,156	6.1
2021	23.3	--	15	13.6	1,044	5.4
Moderate						
2020	19.7	17.7	11	13.3	1,604	8.5
2021	19.7	--	26	23.6	2,428	12.5
Middle						
2020	21.8	20.2	25	30.1	4,181	22.1
2021	21.8	--	24	21.8	3,159	16.2
Upper						
2020	35.2	34.6	25	30.1	8,332	44.1
2021	35.2	--	42	38.2	11,664	59.9
Not Available						
2020	0.0	20.2	9	10.8	3,615	19.1
2021	0.0	--	3	2.7	1,168	6.0
Totals						
2020	100.0	100.0	83	100.0	18,889	100.0
2021	100.0	--	110	100.0	19,462	100.0

Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. As shown in the following table, while Wayne Bank's penetration of loans in 2021 to businesses with GAR of \$1.0 million or less trailed demographic data, the bank reflected reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
NY CSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	90.9	78	65.5	5,088	40.1
>\$1,000,000	2.4	27	22.7	5,649	44.6
Revenue Not Available	6.7	14	11.8	1,941	15.3
Total	100.0	119	100.0	12,678	100.0

Source 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%

COMMUNITY DEVELOPMENT TEST

Wayne Bank’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

During the evaluation period, the bank originated 13 community development loans totaling \$9.6 million that specifically benefit the NY CSA assessment area. The following table illustrates the bank’s community development lending by activity year and purpose.

Community Development Lending NY CSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	1	200	0	0	0	0	0	0	1	200
2020	1	300	0	0	0	0	4	67	5	367
2021	0	0	1	7,504	1	1,385	5	154	7	9,043
YTD 2022	0	0	0	0	0	0	0	0	0	0
Total	2	500	1	7,504	1	1,385	9	221	13	9,610

Source Bank Data

The following is a sample of community development loans that benefit the assessment area.

- In 2021, the bank originated a \$7.5 million loan to a PA state agency that serves school districts in Monroe, Pike and Northampton Counties. Loan proceeds funded the construction of an acute psycho-educational treatment facility, consisting of both an educational facility and a transportation facility. The treatment facility will provide services to dependent and delinquent children with mental health and learning disabilities. Many of the school districts contain a majority of low- or moderate-income census tracts and/or have a majority of students eligible for the national free or reduced-price lunch program. This loan supports community development services in the assessment area.
- In 2019, the bank originated a \$200,000 line-of-credit to an LLC for the purchase of a nine-unit apartment building in Stroudsburg, Monroe County. In 2020, the LLC refinanced and increased the loan amount to \$300,000. The borrower leases eight of the nine units below Monroe County's fair market rent as established by HUD. These loans support affordable housing in the assessment area.
- In 2020 and 2021, the bank originated nine PPP loans totaling \$220,569 to businesses located in moderate-income census tracts in the assessment area. These loans revitalize or stabilize the moderate-income census tracts by supporting businesses affected by the COVID-19 pandemic that are located in these tracts.

Qualified Investments

In addition to the nearly \$6.1 million in regional/statewide qualified investments that benefit all of PA, the bank made six donations totaling \$1,500 during the evaluation period that specifically benefit the NY CSA assessment area. The bank donated to organizations supporting community development services such as a food pantry, a safe haven facility, and a library serving primarily low- and moderate-income individuals.

Community Development Services

During the evaluation period, bank staff provided seven instances of financial expertise or technical assistance to community development-related organizations that are specific to the assessment area. These community development instances are in addition to any instances noted within the PA regional/statewide area that also includes this assessment area. The following table illustrates the bank’s community development services by activity year and purpose.

Community Development Services NY CSA Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	0	0	0	0
2020	0	2	1	0	3
2021	0	2	0	0	2
YTD 2022	0	2	0	0	2
Total	0	6	1	0	7
<i>Source Bank Records</i>					

The following is a sample of community development services that benefit the assessment area.

- A bank employee serves as a Board member of a local chamber of commerce. The chamber’s mission is to support and accelerate the local economy through effective advocacy, business and leadership development, and professional community connections. The organization also focusses on the sustaining, retaining, and expanding of small businesses in the community. The employee provides financial expertise to this organization that supports economic development in the assessment area.
- Two of the bank's Board members are Advisory Board members of a national nonprofit organization that operates a chapter in East Stroudsburg, Monroe County, PA. The organization provides emergency assistance and other community development services to low- and moderate-income families in the community. Much of the organization’s emergency assistance is in response to the COVID-19 pandemic. In addition, there is a large volume of low- and moderate-income families in the area, as East Stroudsburg is composed of two moderate-income census tracts. The Board members provide financial expertise to this organization that supports community development services in the assessment area.

SCRANTON—WILKES-BARRE, PA MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN SCRANTON-WILKES-BARRE, PA MSA ASSESSMENT AREA

The Scranton MSA assessment area includes Lackawanna and Luzerne Counties, which are in the Scranton-Wilkes-Barre, PA MSA 42540. The bank operates 4 branch offices within this assessment area; 2 each in Lackawanna and Luzerne Counties. The bank’s operations in the assessment area represent 12.9 percent of total in-assessment area lending (by number), 5.4 percent of total deposits, and 13.8 percent of total branches.

Economic and Demographic Data

There are 163 census tracts within the Scranton MSA assessment area. The tracts reflect the following income designations according to 2015 ACS data:

- 6 low-income census tracts,
- 42 moderate-income census tract,
- 81 middle-income census tracts,
- 32 upper-income census tract, and
- 2 census tracts without an income designation.

The following table shows the demographic information for the assessment area.

Demographic Information of the Scranton—Wilkes-Barre, PA MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	163	3.7	25.8	49.7	19.6	1.2
Population by Geography	533,554	3.4	21.6	50.5	24.0	0.5
Housing Units by Geography	245,469	3.2	21.4	52.9	22.1	0.4
Owner-Occupied Units by Geography	143,699	1.7	15.1	55.0	28.2	0.0
Occupied Rental Units by Geography	70,027	6.3	32.4	47.5	12.9	1.0
Vacant Units by Geography	31,743	3.3	25.9	55.1	15.1	0.6
Businesses by Geography	49,194	2.9	20.2	50.0	24.8	2.1
Farms by Geography	1,048	2.0	11.7	49.7	36.3	0.3
Family Distribution by Income Level	134,173	21.5	17.5	20.5	40.5	0.0
Household Distribution by Income Level	213,726	25.3	15.9	16.8	42.0	0.0
Median Family Income - 42540 Scranton--Wilkes-Barre, PA MSA		\$59,887	Median Housing Value			\$128,910
Families Below Poverty Level		11.2%	Median Gross Rent			\$709

*Source 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.*

There are 245,469 total housing units in the assessment area. Of these, 58.6 percent are owner-occupied, 28.5 percent are occupied rental units, and 12.9 percent are vacant. As shown above, 1.7 percent and 15.1 percent of the total owner-occupied housing units are located in low- and moderate-income census tracts, respectively. This data reflects the moderate level of opportunities lenders have to originate home mortgage loans within these income geographies.

The following table illustrates the income categories for the Scranton MSA assessment area for 2020 and 2021.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Scranton—Wilkes-Barre, PA MSA Median Family Income (42540)				
2020 (\$71,700)	<\$35,850	\$35,850 to <\$57,360	\$57,360 to <\$86,040	≥\$86,040
2021 (\$70,600)	<\$35,300	\$35,300 to <\$56,480	\$56,480 to <\$84,720	≥\$84,720

Source FFIEC

According to 2021 D&B data, there were 49,194 businesses within the assessment area. The GARs of the businesses are as follows:

- 86.4 percent had GARs of \$1.0 million or less,
- 4.0 percent had GARs of more than \$1.0 million, and
- 9.6 percent had unreported GARs.

Service industries represent the largest percent of businesses at 37.3 percent, followed by non-classifiable establishments (16.1 percent); retail trade (14.8 percent); finance, insurance and real estate (10.4 percent); and construction (6.7 percent). Within the assessment area, 64.7 percent of businesses have four or less employees, and 90.5 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to PA’s Department of Labor & Industry, top employers within the assessment area include PA State Government, Community Medical Center, Amazon.com Services, Inc., Federal Government, and Geisinger Wyoming Valley Medical Center.

The following table details the unemployment data from the Bureau of Labor Statistics for the assessment area and related areas. In each area, the 2020 unemployment rates increased due to the COVID-19 pandemic.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Lackawanna County	4.8	8.3	4.7
Luzerne County	5.7	10.0	5.8
State of PA	4.3	7.9	4.4
National Average	3.6	6.7	3.9
<i>Source Bureau of Labor Statistics</i>			

Competition

There is a highly competitive market for financial and credit services in the assessment area. According to the FDIC Summary of Deposits as of June 30, 2021, there were 22 FDIC-insured institutions operating 177 branch offices within Lackawanna and Luzerne Counties. Of these institutions, Wayne Bank ranked 18th with a 0.6 percent market share by total deposits and 17th with a 2.3 percent market share by total branches.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2020 Peer Mortgage Data, 376 lenders originated or purchased 15,496 home mortgage loans. Of these lenders, Wayne Bank ranked 57th by number of originations or purchases capturing 0.3 percent of total market share. The top most prominent mortgage lenders in the assessment area included Quicken Loans, LLC; The Fidelity Deposit and Discount Bank; Wells Fargo Bank, N.A.; and Residential Mortgage Services.

There is a high level of competition for small business loans within the assessment area. Aggregate data for 2020 shows that 123 reporting institutions originated or purchased 10,789 small business loans in the assessment area, indicating a high degree of competition for this product. The most prominent small business lenders in the assessment area included American Express National Bank; Fidelity Deposit & Discount Bank; PNC Bank, N.A.; and Peoples Security Bank and Trust.

CONCLUSIONS ON PERFORMANCE CRITERIA IN SCRANTON-WILKES-BARRE, PA MSA ASSESSMENT AREA

LENDING TEST

Wayne Bank demonstrated reasonable performance under the Lending Test in this assessment area. The bank's reasonable performance in Geographic Distribution and Borrower Profile supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Wayne Bank's adequate performance of home mortgage and small business lending supports this conclusion. Examiners focused on the number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank did not originate any loans in low-income census tracts in 2020 and 2021. The opportunity to lend in low-income census tracts is limited as only 1.7 percent of owner-occupied housing units are in such tracts. The bank's performance in 2020 of lending in moderate-income census tracts exceeded demographic and aggregate data. In 2021, the bank's performance of lending in moderate-income census tracts declined and trailed demographic data.

Geographic Distribution of Home Mortgage Loans Scranton-Wilkes-Barre, PA MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	1.7	1.4	0	0.0	0	0.0
2021	1.7	--	0	0.0	0	0.0
Moderate						
2020	15.1	12.6	9	19.6	872	12.4
2021	15.1	--	6	10.2	938	10.3
Middle						
2020	55.0	49.9	20	43.5	3,327	47.4
2021	55.0	--	37	62.7	5,432	59.7
Upper						
2020	28.2	36.0	17	37.0	2,814	40.1
2021	28.2	--	16	27.1	2,730	30.0
Totals						
2020	100.0	100.0	46	100.0	7,013	100.0
2021	100.0	--	59	100.0	9,099	100.0

Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank originated one loan in 2020 in a low-income census tract and no loans in 2021 in such tracts. The opportunity to lend in low-income census tracts is limited, as only 2.8 percent and 2.9 percent of the assessment area businesses in 2020 and 2021, respectively, are in such tracts. The bank's lending performance during 2020 in moderate-income census tracts trailed demographic data. In 2021, while the volume of loans originated in moderate-income census tracts declined, the bank's percentage of loans in such tracts slightly exceeded demographic data.

Geographic Distribution of Small Business Loans Scranton-Wilkes-Barre, PA MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	2.8	1	0.6	35	0.1
2021	2.9	0	0.0	0	0.0
Moderate					
2020	20.0	26	15.1	3,955	14.5
2021	20.2	18	21.2	2,733	18.7
Middle					
2020	50.2	89	51.7	15,634	57.4
2021	50.0	37	43.5	9,187	62.8
Upper					
2020	24.8	44	25.6	5,964	21.9
2021	24.8	23	27.1	2,338	16.0
Not Available					
2020	2.2	12	7.0	1,646	6.0
2021	2.1	7	8.2	381	2.6
Totals					
2020	100.0	172	100.0	27,235	100.0
2021	100.0	85	100.0	14,639	100.0
<i>Source 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers and the number of small business loans originated in 2021 to businesses with GAR of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income, is reasonable. As shown in the following table, the bank's home mortgage lending in 2020 to low-income borrowers greatly trailed demographic and aggregate data. In 2021, the bank's performance of lending to low-income borrowers slightly increased but trailed demographic data. A low-income family in the assessment area may not qualify for a mortgage under conventional underwriting standards considering the median housing value of \$128,910. Therefore, the opportunities to lend to low-income families are limited. This fact helps explain the difference between bank and aggregate performance in lending to low-income borrowers compared to the percentage of families at this income level.

The bank's penetration of home mortgage loans to moderate-income borrowers in 2020 exceeded demographic and aggregate data. In 2021, the penetration of home mortgage loans to moderate-income borrowers declined and trailed demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Scranton—Wilkes-Barre, PA MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	21.5	7.9	1	2.2	24	0.3
2021	21.5	--	3	5.1	279	3.1
Moderate						
2020	17.5	16.7	12	26.1	1,263	18.0
2021	17.5	--	8	13.6	1,039	11.4
Middle						
2020	20.5	20.3	8	17.4	771	11.0
2021	20.5	--	9	15.3	1,339	14.7
Upper						
2020	40.5	35.6	21	45.7	3,855	55.0
2021	40.5	--	28	47.5	4,460	49.0
Not Available						
2020	0.0	19.6	4	8.7	1,100	15.7
2021	0.0	--	11	18.6	1,983	21.8
Totals						
2020	100.0	100.0	46	100.0	7,013	100.0
2021	100.0	--	59	100.0	9,099	100.0
<i>Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. As shown in the following table, while Wayne Bank's penetration of loans in 2021 to businesses with GAR of \$1.0 million or less trailed demographic data, the bank reflected reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Scranton—Wilkes-Barre, PA MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.4	58	68.2	6,936	47.4
>\$1,000,000	4.0	22	25.9	7,296	49.8
Revenue Not Available	9.6	5	5.9	406	2.8
Total	100.0	85	100.0	14,639	100.0

Source 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%

COMMUNITY DEVELOPMENT TEST

Wayne Bank’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

During the evaluation period, the bank originated 15 community development loans totaling \$8.6 million that specifically benefit the Scranton MSA assessment area. The following table illustrates the bank’s community development lending by activity year and purpose.

Community Development Lending										
Scranton—Wilkes-Barre, PA MSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	3	737	0	0	0	0	0	0	3	737
2020	2	470	0	0	2	920	2	3,885	6	5,275
2021	2	556	0	0	1	180	3	1,820	6	2,556
YTD 2022	0	0	0	0	0	0	0	0	0	0
Total	7	1,763	0	0	3	1,100	5	5,705	15	8,568

Source Bank Data

The following is a sample of community development loans that benefit the assessment area.

- In 2019, the bank originated a \$534,000 loan for the refinance of multi-family dwellings totaling 16 units. Except for one unit, the borrower leases all units below the fair market rent for Lackawanna County or the units are Section 8 housing units for low-income individuals as designated by HUD. This loan supports affordable housing in the assessment area.
- In 2020, the bank originated an \$800,000 loan to an LLC for the purchase of commercial real estate, furniture, fixtures, and equipment. The bank provided the loan in conjunction with a loan from the PA Industrial Development Authority and funding from FHLB of Pittsburgh's Banking On Business (BOB) loan program. This loan supports economic development in the assessment area.

- In 2021, the bank originated two PPP loans totaling \$19,960 to a nonprofit organization located in a moderate-income census tract in the assessment area. These loans revitalize or stabilize the moderate-income census tract in the assessment area.

Qualified Investments

In addition to the nearly \$6.1 million in regional/statewide qualified investments that benefit all of PA, the bank made 11 donations, including EITCs, totaling \$7,200 during the evaluation period that specifically benefit the Scranton MSA assessment area. The bank donated to organizations supporting community development services and economic development. The following is a sample of donations and ETICs that benefit the assessment area.

- During the evaluation period, the bank made donations totaling \$3,000 to an economic development organization that focuses on downtown Scranton. The organization evaluates the economic plan to attract, sustain, and grow business development within Scranton. These donations support economic development in the assessment area.
- During the evaluation period, the bank purchased \$3,500 in EITCs. One EITC related to a nonprofit community organization that serves Lackawanna County, and another EITC provided a scholarship to a student of a low- or moderate-income family. The EITCs supported community development services in the assessment area.

Community Development Services

During the evaluation period, bank staff provided 12 instances of financial expertise or technical assistance to community development-related organizations that are specific to the assessment area. These community development instances are in addition to any instances noted within the PA regional/statewide area that also includes this assessment area. The following table illustrates the bank’s community development services by activity year and purpose.

Community Development Services Scranton—Wilkes-Barre, PA MSA Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	0	0	0	0
2020	0	2	2	0	4
2021	0	2	2	0	4
YTD 2022	0	2	2	0	4
Total	0	6	6	0	12
<i>Source Bank Records</i>					

The following is a sample of community development services that benefit the assessment area.

- A loan officer of the bank serves on a loan committee of a nonprofit community development organization headquartered in Scranton, PA. The organization, which is also a

community development financial institution (CDFI), dedicates its efforts in providing small business loans and business development assistance, training, and counseling to entrepreneurs throughout Northeastern PA. The bank's participation in this CDFI supports economic development in the assessment area.

- A senior vice president of the bank is Chairman of the Board of a nonprofit organization focused on health and welfare within Lackawanna County. The organization serves as a vehicle in providing tax-free financing for nonprofit healthcare- and educational-related facilities. Its mission is to facilitate and support the development, coordination, and delivery of community development services to low- and moderate-income county residents.

NEW YORK

CRA RATING FOR NEW YORK: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

The NY state rated area includes two assessment areas, the NY Non-MSA and Rochester MSA. The bank operates 14 branch offices within the rated area; 12 are in the NY Non-MSA assessment area and 2 are in the Rochester MSA assessment area. Collectively, examiners refer to these two areas as the combined NY assessment area. As previously mentioned, the bank expanded its assessment areas in NY to include Ontario, Otsego, and Yates Counties resulting from the USNY Bank acquisition in July 2020. The bank's operations in the combined NY assessment area represent 50.1 percent of total in-assessment area lending (by number), 53.0 percent of total deposits, and 48.3 percent of total branches. Refer to the separate NY Non-MSA and Rochester MSA sections for a detailed description of each assessment area.

SCOPE OF EVALUATION – NEW YORK

This portion of the evaluation considers activity within the NY Non-MSA and Rochester MSA assessment areas. Please refer to the overall Scope of Evaluation section for information on products and timeframe reviewed. Of the two assessment areas, the bank's performance in the NY Non-MSA assessment area carried the most weight in determining the state rating and conclusions, as this assessment area accounts for the largest portion of lending, deposits, and branches in the state. Examiners used full-scope procedures to assess performance in the NY Non-MSA assessment area and limited-scope procedures for the Rochester MSA assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK

LENDING TEST

Wayne Bank's Lending Test rating is "Satisfactory" in NY. The bank's reasonable performance in the NY Non-MSA assessment area supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the NY assessment areas. Examiners based this conclusion on the distribution of home mortgage and small business loans in moderate-income census tracts in the NY Non-MSA assessment area.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes throughout the NY assessment areas. Examiners based this

conclusion on the penetration of home mortgage loans to low- and moderate-income borrowers and of small business loans originated in 2021 to businesses with GAR of \$1.0 million or less in the NY Non-MSA assessment area.

COMMUNITY DEVELOPMENT TEST

Wayne Bank’s Community Development Test rating is “Satisfactory” in NY. The bank’s adequate performance in the NY Non-MSA assessment area supports this conclusion.

Community Development Loans

During the evaluation period, Wayne Bank originated 60 community development loans totaling \$11.2 million benefitting the NY rated area. At the prior evaluation, the bank originated eight community development loans totaling \$6.4 million in the combined NY assessment area. The following table illustrates the bank’s community development lending activity by NY area and purpose.

Community Development Lending New York State Rated Area										
NY Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
NY Non-MSA	0	0	0	0	2	273	4	5,226	6	5,499
Rochester MSA	3	1,165	0	0	0	0	0	0	3	1,165
Regional/Statewide	1	1,361	0	0	0	0	50	3,178	51	4,539
Total	4	2,526	0	0	2	273	54	8,404	60	11,203
<i>Source Bank Data</i>										

Since Wayne Bank was responsive to community development needs and opportunities within its assessment areas, examiners considered community development loans that benefitted the broader regional and statewide area. Below are notable examples of community development loans that benefitted the broader regional or NY statewide area.

- In 2020 and 2021, the bank originated 50 PPP loans totaling \$3.2 million to businesses located in low- or moderate-income census tracts in NY but outside any assessment area. These loans revitalize or stabilize low- and moderate-income census tracts by supporting businesses affected by the COVID-19 pandemic that are located in these tracts.
- In 2021, the bank originated a \$1.4 million loan to an LLC to purchase a 10-unit apartment building in Monroe County, NY, to refinance a 17-unit apartment building in Wayne County, NY, and to make renovations to both properties. The borrower leases all units below the applicable county's fair market rent as established by HUD. This loan supports affordable housing in the statewide area.

For additional details on community development loans, please refer to the individual assessment areas.

Qualified Investments

During the evaluation period, the bank made 19 donations totaling \$4,656 benefitting the NY rated area. The bank made no new, or retained any prior period, qualified investments. The following table illustrates the bank's qualified investment activity by NY assessment area and purpose.

Qualified Investments New York State Rated Area										
NY Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
NY Non-MSA	0	0	15	2	0	0	0	0	15	2
Rochester MSA	0	0	4	3	0	0	0	0	4	3
Total	0	0	19	5	0	0	0	0	19	5
<i>Source Bank Data</i>										

For additional details on donations, please refer to the NY Non-MSA assessment area that received full-scope examination procedures.

Community Development Services

During the evaluation period, Wayne Bank's staff provided 36 instances of financial expertise or technical assistance to community development-related organizations in the NY rated area. The following table illustrates the bank's community development services by NY assessment area and purpose.

Community Development Services New York State Rated Area					
NY Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
NY Non-MSA	0	14	8	0	22
Rochester MSA	0	12	2	0	14
Total	0	26	10	0	36
<i>Source Bank Records</i>					

For additional details on community development services in NY, please refer to the NY Non-MSA assessment area that received full-scope examination procedures.

NY NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NY NON-MSA ASSESSMENT AREA

The NY Non-MSA assessment area includes Delaware, Otsego, and Sullivan Counties, which are outside of any metropolitan area. The bank expanded this assessment area to include Otsego County resulting from the USNY Bank acquisition in July 2020. The bank operates 12 branch offices within this assessment area; 5 are in Delaware County, 2 are in Otsego County, and 5 are in Sullivan County. The bank’s operations in the assessment area represent 38.8 percent of total in-assessment area lending (by number), 42.0 percent of total deposits, and 41.4 percent of total branches.

Economic and Demographic Data

There are 55 census tracts within the NY Non-MSA assessment area. The tracts reflect the following income designations according to 2015 ACS data:

- 0 low-income census tracts,
- 6 moderate-income census tract,
- 39 middle-income census tracts,
- 8 upper-income census tract, and
- 2 census tracts without an income designation.

The following table shows the demographic information for the assessment area.

Demographic Information of the NY Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	55	0.0	10.9	70.9	14.5	3.6
Population by Geography	184,630	0.0	14.1	67.8	15.5	2.6
Housing Units by Geography	111,415	0.0	12.7	73.8	13.5	0.0
Owner-Occupied Units by Geography	49,963	0.0	9.3	76.2	14.4	0.1
Occupied Rental Units by Geography	21,339	0.0	26.7	56.2	17.0	0.0
Vacant Units by Geography	40,113	0.0	9.3	80.2	10.5	0.0
Businesses by Geography	13,795	0.0	17.4	62.4	20.0	0.2
Farms by Geography	947	0.0	6.4	80.7	12.9	0.0
Family Distribution by Income Level	44,521	20.2	18.1	21.7	39.9	0.0
Household Distribution by Income Level	71,302	24.8	15.8	17.8	41.6	0.0
Median Family Income Non-MSAs - NY		\$59,570	Median Housing Value			\$151,598
Families Below Poverty Level		10.9%	Median Gross Rent			\$785
<i>Source 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

There are 111,415 total housing units in the assessment area. Of these, 44.8 percent are owner-occupied, 19.2 percent are occupied rental units, and 36.0 percent are vacant. As shown above, 12.7 percent of the total owner-occupied housing units are located in moderate-income census tracts. This data reflects the low level of opportunities lenders have to originate home mortgage loans within this income geography.

The following table illustrates the income categories for the NY Non-MSA assessment area for 2020 and 2021.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
NY Non-MSA Median Family Income (99999)				
2020 (\$67,200)	<\$33,600	\$33,600 to <\$53,760	\$53,760 to <\$80,640	≥\$80,640
2021 (\$69,400)	<\$34,700	\$34,700 to <\$55,520	\$55,520 to <\$83,280	≥\$83,280
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 13,795 businesses within the assessment area. The GARs of the businesses are as follows:

- 84.8 percent had GARs of \$1.0 million or less,
- 3.6 percent had GARs of more than \$1.0 million, and
- 11.6 percent had unreported GARs.

Service industries represent the largest percent of businesses at 33.9 percent, followed by non-classifiable establishments (18.4 percent); retail trade (13.5 percent); construction (7.6 percent); and finance, insurance and real estate (7.5 percent). Within the assessment area, 63.9 percent of businesses have four or less employees, and 90.0 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to local county economic websites, top employers within the assessment area include Resorts World Catskills, The Center for Discovery, Bassett Healthcare Network, SUNY College at Oneonta, and NYCM Insurance.

The following table details the unemployment data from the Bureau of Labor Statistics for the assessment area and related areas. In each area, the 2020 unemployment rates increased due to the COVID-19 pandemic.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Delaware County	4.6	5.3	2.8
Otsego County	4.5	5.5	2.9
Sullivan County	4.2	6.0	3.1
State of NY	3.6	8.5	4.5
National Average	3.6	6.7	3.9
<i>Source Bureau of Labor Statistics</i>			

Competition

There is a moderately competitive market for financial and credit services in the assessment area. According to the FDIC Summary of Deposits as of June 30, 2021, there were 12 FDIC-insured institutions operating 71 branch offices within Delaware, Otsego, and Sullivan Counties. Of these institutions, Wayne Bank ranked 2nd with a 16.5 percent market share by total deposits and tied for 1st with a 18.3 percent market share by total branches.

There is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2020 Peer Mortgage Data, 232 lenders originated or purchased 4,437 home mortgage loans. Of these lenders, Wayne Bank ranked 7th by number of originations or purchases capturing 3.5 percent of total market share. The top most prominent mortgage lenders in the assessment area included Quicken Loans, LLC; Wells Fargo Bank, N.A.; Homestead Funding Corporation; and Community Bank, N.A.

There is a moderate level of competition for small business loans within the assessment area. Aggregate data for 2020 shows that 87 reporting institutions originated or purchased 2,964 small business loans in the assessment area, indicating a moderate degree of competition for this product. The top most prominent small business lenders in the assessment area included American Express National Bank; JPMorgan Chase Bank, N.A.; NBT Bank, N.A.; and Lake Forest Bank & Trust, N.A.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NY NON-MSA ASSESSMENT AREA

LENDING TEST

Wayne Bank demonstrated reasonable performance under the Lending Test in this assessment area. The bank's reasonable performance in Geographic Distribution and Borrower Profile supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Wayne Bank's adequate performance of home mortgage and small business lending supports this conclusion. Examiners focused on the number of loans in moderate-income census tracts. There are no low-income census tracts in this assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's performance in 2020 of lending in moderate-income census tracts trailed demographic and aggregate data. Market share reports for 2020 indicate a high level of competition for lending in the moderate-income census tracts when 87 lenders originated a total of 387 home mortgage loans. Of these originations, the top 9 lenders originated 47.1 percent of all originated loans. All but one of the lenders are large national banks. Also, the opportunity to lend in moderate-income census tracts is limited as only 9.3 percent of owner-occupied housing units are in such tracts. In 2021, the bank's performance of lending in moderate-income census tracts remained stable and continued to trail demographic data.

Geographic Distribution of Home Mortgage Loans NY Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	9.3	8.6	4	2.6	494	1.9
2021	9.3	--	4	2.0	611	1.7
Middle						
2020	76.2	70.9	129	83.2	20,300	80.0
2021	76.2	--	160	81.2	26,876	76.7
Upper						
2020	14.4	20.5	22	14.2	4,576	18.0
2021	14.4	--	33	16.8	7,571	21.6
Totals						
2020	100.0	100.0	155	100.0	25,370	100.0
2021	100.0	--	197	100.0	35,058	100.0
<i>Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's lending performance during 2020 in moderate-income census tracts trailed demographic data. In 2021, the bank's percentage of loans in moderate-income census tracts declined and trailed demographic data.

Geographic Distribution of Small Business Loans					
NY Non-MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2020	17.3	48	12.2	4,433	14.9
2021	17.4	24	6.8	2,388	9.5
Middle					
2020	62.6	256	64.8	18,353	61.7
2021	62.4	251	71.3	15,489	61.9
Upper					
2020	19.9	91	23.0	6,948	23.4
2021	20.0	77	21.9	7,162	28.6
Not Available					
2020	0.2	0	0.0	0	0.0
2021	0.2	0	0.0	0	0.0
Totals					
2020	100.0	395	100.0	29,734	100.0
2021	100.0	352	100.0	25,039	100.0

Source 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers and the number of small business loans originated in 2021 to businesses with GAR of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income, is reasonable. As shown in the following table, the bank's home mortgage lending in 2020 to low-income borrowers slightly exceeded aggregate data and trailed demographic data. In 2021, the bank's performance of lending to low-income borrowers improved but trailed demographic data. A low-income family in the assessment area may not qualify for a mortgage under conventional underwriting standards considering the median housing value of \$151,598. Therefore, the opportunities to lend to low-income families are limited. This fact helps explain the difference between bank and aggregate performance in lending to low-income borrowers compared to the percentage of families at this income level.

The bank's penetration of home mortgage loans to moderate-income borrowers in 2020 trailed demographic data but was similar to aggregate data. In 2021, the penetration of home mortgage loans to moderate-income borrowers remained stable and trailed demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
NY Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	20.2	2.9	6	3.9	278	1.1
2021	20.2	--	12	6.1	885	2.5
Moderate						
2020	18.1	11.8	18	11.6	1,692	6.7
2021	18.1	--	24	12.2	2,800	8.0
Middle						
2020	21.7	18.1	29	18.7	3,609	14.2
2021	21.7	--	33	16.8	4,399	12.5
Upper						
2020	39.9	54.0	94	60.6	18,554	73.1
2021	39.9	--	109	55.3	22,702	64.8
Not Available						
2020	0.0	13.2	8	5.2	1,237	4.9
2021	0.0	--	19	9.6	4,272	12.2
Totals						
2020	100.0	100.0	155	100.0	25,370	100.0
2021	100.0	--	197	100.0	35,058	100.0
<i>Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. As shown in the following table, Wayne Bank's penetration of loans in 2021 to businesses with GAR of \$1.0 million or less was similar to demographic data. This reflects reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
NY Non-MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.8	288	81.8	13,827	55.2
>\$1,000,000	3.6	49	13.9	9,166	36.6
Revenue Not Available	11.6	15	4.3	2,047	8.2
Total	100.0	352	100.0	25,039	100.0
<i>Source 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Wayne Bank’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

During the evaluation period, the bank originated six community development loans totaling \$5.5 million that specifically benefit the NY Non-MSA assessment area. The following table illustrates the bank’s community development lending by activity year and purpose.

Community Development Lending NY Non-MSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	1	115	3	5,214	4	5,329
2021	0	0	0	0	1	158	1	12	2	170
YTD 2022	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	2	273	4	5,226	6	5,499
<i>Source Bank Data</i>										

The following is a sample of community development loans that benefit the assessment area.

- In 2020, the bank originated a commercial loan for nearly \$115,000 for the purchase of a restaurant in Narrowsburg, Sullivan County, NY. The bank provided the loan in conjunction with funding from FHLB of Pittsburgh's BOB loan program. This loan supports economic development in the assessment area.
- In 2020 and 2021, the bank originated four PPP loans totaling \$5.2 million to businesses located in moderate-income census tracts in the assessment area. These loans revitalize or stabilize the moderate-income census tracts by supporting businesses affected by the COVID-19 pandemic that are located in these tracts.

Qualified Investments

The bank made 15 donations totaling \$1,756 during the evaluation period that benefit the assessment area. The bank donated to organizations supporting community development services such as food pantries, a financial literacy program, and emergency family assistance due to the COVID-19 pandemic.

Community Development Services

During the evaluation period, Wayne Bank’s staff provided 22 instances of financial expertise or technical assistance to community development-related organizations that are specific to the assessment area. The following table illustrates the bank’s community development services by activity year and purpose.

Community Development Services NY Non-MSA Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	2	2	0	4
2020	0	4	2	0	6
2021	0	4	2	0	6
YTD 2022	0	4	2	0	6
Total	0	14	8	0	22
<i>Source Bank Records</i>					

The following is a sample of community development services that benefit the assessment area.

- An employee serves as Treasurer of a community service organization serving Delaware County. The nonprofit organization conducts numerous fundraising events to support various services such as eye examinations, new glasses, and food certificates for low- and moderate-income residents in Delaware County. The employee's participation in this organization supports community development services in the assessment area.
- An employee serves as Treasurer of a local chamber of commerce serving Delaware County. The organization provides various training opportunities to new business owners and promotes local business relationships and job creation in the county. The employee provides financial expertise to this organization that supports economic development in the assessment area.

ROCHESTER, NY MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ROCHESTER, NY MSA ASSESSMENT AREA

This assessment area includes Ontario and Yates Counties, which are in the Rochester, NY MSA 40380. This assessment area is new to the bank since the prior evaluation resulting from the USNY Bank acquisition in July 2020. The bank operates two branch offices within this assessment area; one each in Ontario and Yates Counties. The bank’s operations in the assessment area represent 12.1 percent of total in-assessment area lending (by number), 11.0 percent of total deposits, and 6.9 percent of total branches.

Economic and Demographic Data

There are 30 census tracts within the Rochester MSA assessment area. The tracts reflect the following income designations according to 2015 ACS data:

- 0 low-income census tracts,
- 5 moderate-income census tract,
- 21 middle-income census tracts, and
- 4 upper-income census tract.

The following table shows the demographic information for the assessment area.

Demographic Information of the Rochester, NY MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	0.0	16.7	70.0	13.3	0.0
Population by Geography	134,379	0.0	8.9	73.5	17.6	0.0
Housing Units by Geography	63,111	0.0	9.5	74.2	16.3	0.0
Owner-Occupied Units by Geography	39,682	0.0	6.4	75.2	18.4	0.0
Occupied Rental Units by Geography	14,295	0.0	19.0	63.9	17.1	0.0
Vacant Units by Geography	9,134	0.0	8.1	86.0	5.9	0.0
Businesses by Geography	10,977	0.0	13.3	61.5	25.3	0.0
Farms by Geography	754	0.0	3.1	85.4	11.5	0.0
Family Distribution by Income Level	35,509	19.7	17.5	20.7	42.1	0.0
Household Distribution by Income Level	53,977	21.1	15.8	18.5	44.6	0.0
Median Family Income - 40380 Rochester, NY MSA		\$67,757	Median Housing Value			\$147,885
Families Below Poverty Level		7.2%	Median Gross Rent			\$827

Source 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

There are 63,111 total housing units in the assessment area. Of these, 62.9 percent are owner-occupied, 22.6 percent are occupied rental units, and 14.5 percent are vacant. As shown above, 6.4 percent of the total owner-occupied housing units are located in moderate-income census tracts. This data reflects the low level of opportunities lenders have to originate home mortgage loans within this income geography.

The following table illustrates the income categories for the Rochester MSA assessment area for 2020 and 2021.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Rochester, NY MSA Median Family Income (40380)				
2020 (\$76,200)	<\$38,100	\$38,100 to <\$60,960	\$60,960 to <\$91,440	≥\$91,440
2021 (\$82,900)	<\$41,450	\$41,450 to <\$66,320	\$66,320 to <\$99,480	≥\$99,480
<i>Source FFIEC</i>				

According to 2021 D&B data, there were 10,977 businesses within the assessment area. The GARs of the businesses are as follows:

- 83.7 percent had GARs of \$1.0 million or less,
- 4.9 percent had GARs of more than \$1.0 million, and
- 11.4 percent had unreported GARs.

Service industries represent the largest percent of businesses at 35.6 percent, followed by non-classifiable establishments (15.9 percent); retail trade (14.0 percent); finance, insurance and real estate (8.0 percent); and construction (7.0 percent). Within the assessment area, 63.9 percent of businesses have four or less employees, and 89.1 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to Moody’s Analytics, top employers within the Rochester MSA include the University of Rochester, Rochester Regional Health System, Wegmans Food Markets, Inc., and Paychex Inc.

The following table details the unemployment data from the Bureau of Labor Statistics for the assessment area and related areas. In each area, the 2020 unemployment rates increased due to the COVID-19 pandemic.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Ontario County	4.0	5.0	2.7
Yates County	4.2	4.6	2.5
State of NY	3.6	8.5	4.5
National Average	3.6	6.7	3.9
<i>Source Bureau of Labor Statistics</i>			

Competition

There is a moderately competitive market for financial and credit services in the assessment area. According to the FDIC Summary of Deposits as of June 30, 2021, there were 10 FDIC-insured institutions operating 38 branch offices within Ontario and Yates Counties. Of these institutions, Wayne Bank ranked 5th with a 5.4 percent market share by total deposits and tied for 6th with a 5.3 percent market share by total branches.

There is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2020 Peer Mortgage Data, 157 lenders originated or purchased 5,915 home mortgage loans. Of these lenders, Wayne Bank ranked 21st by number of originations or purchases capturing 0.9 percent of total market share. The top most prominent mortgage lenders in the assessment area included The Lyons National Bank; The Canandaigua National Bank; Home Town Funding, Inc.; and ESL Federal Credit Union.

There is a moderate level of competition for small business loans within the assessment area. Aggregate data for 2020 shows that 77 reporting institutions originated or purchased 2,859 small business loans in the assessment area, indicating a moderate degree of competition for this product. The top most prominent small business lenders in the assessment area included Canandaigua National Bank; American Express National Bank; JPMorgan Chase Bank, N.A.; and Five Star Bank.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ROCHESTER, NY MSA ASSESSMENT AREA

LENDING TEST

The bank’s Lending Test performance in the assessment area is consistent with its performance in the NY Non-MSA assessment area, which examiners reviewed using full-scope procedures. This conclusion takes into account the bank’s percentage of lending, deposits, and branches in the assessment area.

The following tables illustrate demographic and lending data for Geographic Distribution and Borrower Profile, upon which examiners based the Lending Test conclusion for this assessment area.

Geographic Distribution

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans						
Rochester, NY MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	6.4	5.6	7	13.5	2,414	19.5
2021	6.4	--	2	7.1	323	2.6
Middle						
2020	75.2	66.7	40	76.9	9,046	73.1
2021	75.2	--	25	89.3	11,837	94.7
Upper						
2020	18.4	27.7	5	9.6	920	7.4
2021	18.4	--	1	3.6	338	2.7
Totals						
2020	100.0	100.0	52	100.0	12,380	100.0
2021	100.0	--	28	100.0	12,497	100.0

Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

Geographic Distribution of Small Business Loans					
Rochester, NY MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2020	13.4	22	16.3	3,169	19.0
2021	13.3	20	16.3	2,218	16.8
Middle					
2020	61.9	102	75.6	10,854	65.0
2021	61.5	87	70.7	7,883	59.8
Upper					
2020	24.7	11	8.1	2,672	16.0
2021	25.3	16	13.0	3,077	23.3
Totals					
2020	100.0	135	100.0	16,694	100.0
2021	100.0	123	100.0	13,177	100.0

Source 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level						
Rochester, NY MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	19.7	5.3	3	5.8	195	1.6
2021	19.7	--	2	7.1	537	4.3
Moderate						
2020	17.5	15.9	8	15.4	1,243	10.0
2021	17.5	--	2	7.1	230	1.8
Middle						
2020	20.7	20.5	9	17.3	1,269	10.2
2021	20.7	--	7	25.0	1,083	8.7
Upper						
2020	42.1	47.6	23	44.2	5,128	41.4
2021	42.1	--	6	21.4	1,283	10.3
Not Available						
2020	0.0	10.7	9	17.3	4,546	36.7
2021	0.0	--	11	39.3	9,364	74.9
Totals						
2020	100.0	100.0	52	100.0	12,380	100.0
2021	100.0	--	28	100.0	12,497	100.0

Source 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category					
Rochester, NY MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	83.7	89	72.4	6,405	48.6
>\$1,000,000	4.9	31	25.2	5,522	41.9
Revenue Not Available	11.4	3	2.4	1,250	9.5
Total	100.0	123	100.0	13,177	100.0

Source 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in the assessment area is consistent with its performance in the NY Non-MSA assessment area, which examiners reviewed using full-scope procedures. This conclusion takes into account the bank's percentage of lending, deposits, and branches in the assessment area.

Community Development Loans

Wayne Bank's community development loan performance in the assessment area is consistent with the bank's performance in the NY Non-MSA assessment area. The bank originated three community development loans totaling \$1.2 million that benefit this assessment area.

Qualified Investments

Wayne Bank's investment performance in the assessment area is consistent with the bank's investment performance in the NY Non-MSA assessment area. The bank made four donations totaling \$2,900 that benefit this assessment area.

Community Development Services

Wayne Bank's community development service performance in the assessment area is consistent with the bank's performance in the NY Non-MSA assessment area. The bank provided 14 instances of community development service in the assessment area, most of which supported organizations providing community development services.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
Pennsylvania	Satisfactory	Satisfactory	Satisfactory
New York	Satisfactory	Satisfactory	Satisfactory

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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 statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.