PUBLIC DISCLOSURE

March 11, 2024

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

ESB Financial
Certificate Number: 16629

801 Merchant Street
Emporia, Kansas 66801

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut St, Suite 2100
Kansas City, Missouri 64106

TABLE OF CONTENTS

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **<u>Satisfactory.</u>**

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 bank's Community Reinvestment Act (CRA) performance under the applicable criteria supports the overall rating. The following points summarize this performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.

- A majority of the reviewed loans are in the institution's assessment areas.

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels.

- The bank did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the rating.

DESCRIPTION OF INSTITUTION

ESB Financial is a full-service community bank headquartered in Emporia, Kansas. Namyaw Corporation, Inc., Emporia, Kansas, a one-bank holding company, wholly owns the institution's outstanding stock. ESB Financial received a Satisfactory rating under the Interagency Small Institution Examination Procedures at its prior FDIC performance evaluation dated April 23, 2018.

ESB Financial has three locations in Emporia: the main office, a branch office, and a detached drive-thru facility. A branch office is also located in Manhattan, Kansas. There have not been any merger or acquisition activities, and there have been no branch openings or closings since the prior evaluation.

The bank offers commercial, home mortgage, agriculture, construction/land development, and consumer loans, as well as loans through various government-guaranteed loan programs. The bank also originated loans under the Small Business Administration's Paycheck Protection Program (PPP), which was established in 2020 to provide relief to small businesses during the Coronavirus Disease 2019 (COVID-19) pandemic. The bank's home mortgage lending includes loans retained in its portfolio, as well as loans that are sold on the secondary market. Commercial and home mortgage lending continue to be the lending focus of the institution.

Deposit products include checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet and mobile banking, electronic bill pay, telephone banking, and three bank-owned ATMs, two of which are deposit-taking.

According to the December 31, 2023 Reports of Condition and Income, the institution reported total assets of $335.1 million, total loans of $210.0 million, and total deposits of $297.4 million. The following table shows the distribution for each loan category by dollar volume.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	$(000s)	%
Construction, Land Development, and Other Land Loans	15,775	7.5
Secured by Farmland	10,907	5.2
Secured by 1-4 Family Residential Properties	69,214	33.0
Secured by Multi-family (5 or more) Residential Properties	10,425	5.0
Secured by Non-farm Non-Residential Properties	52,090	24.8
Total Real Estate Loans	**158,411**	**75.5**
Commercial and Industrial Loans	30,844	14.7
Agricultural Production and Other Loans to Farmers	12,692	6.0
Consumer	6,353	3.0
Obligations of State and Political Subdivisions in the U.S.	-	-
Other Loans	42	-
Lease Financing Receivables (net of unearned income)	1,702	0.8
Less: Unearned Income	-	-
Total Loans	**210,044**	**100.0**
Source: Reports of Condition and Income.		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank has designated two assessment areas, both in the state of Kansas. The Lyon County Assessment Area, which includes the majority of the bank's business operations, consists of all of Lyon County and is located in nonmetropolitan Kansas. The Manhattan Assessment Area, which includes all of Geary, Pottawatomie, and Riley counties, makes up the Manhattan, Kansas Metropolitan Statistical Area (MSA). The bank's designated assessment areas have not changed since the prior evaluation. For further information on each of these assessment areas, refer to the corresponding sections of this evaluation.

SCOPE OF EVALUATION

General Information

Examiners conducted this CRA evaluation using the Interagency Small Institution Examination Procedures. The evaluation covers the period from the prior evaluation, dated April 23, 2018, to the current evaluation, dated March 11, 2024. Examiners reviewed both assessment areas using full-scope procedures. Performance in the Lyon County Assessment Area received substantially more weight when drawing overall conclusions, since the majority of branches, loans, and deposits are within this assessment area.

Activities Reviewed

Examiners reviewed small business, home mortgage, and small farm loans to evaluate the bank's overall lending performance. Examiners selected the loan products based on the bank's business strategy, and the number and dollar volume of loans originated or purchased during the evaluation period. As shown above, the loan portfolio is made up largely of commercial-related and residential lending. Therefore, small business and home mortgage lending received the most weight when drawing conclusions. Small farm loans were not reviewed in the Manhattan Assessment Area due to nominal activity. Refer to the individual assessment area sections for additional details.

For the small business and small farm loan reviews, examiners focused on 2023 lending activity as bank management indicated the lending patterns in that year were reasonably representative of its overall lending patterns since the prior evaluation. In 2023 the bank originated or purchased 120 small business loans totaling $16.1 million, and 73 small farm loans totaling $9.6 million. For the home mortgage loan review, examiners considered all loans reported on the bank's 2022 and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. This consisted of 149 loans totaling $27.6 million in 2022, and 112 loans totaling $21.4 million in 2023.

For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans inside the assessment areas were further reviewed to evaluate the Geographic Distribution criterion. Finally, examiners reviewed all home mortgage loans, and samples of small business and small farm loans, originated inside the assessment areas to evaluate the Borrower Profile criterion. These samples consisted of 36 small business loans totaling $4.5 million, and 30 small farm loans totaling $4.0 million in the Lyon Assessment Area. Due to low volume, all 18 of the bank's small business loans totaling $3.4 million located in the Manhattan Assessment Area were reviewed for the Borrower Profile criterion.

For the Geographic Distribution and the Borrower Profile analyses, examiners used prescribed comparative data as the standard for comparison for determining performance. The 2023 D&B data provided a standard of comparison for the bank's small business and small farm lending performance. The 2022 HMDA aggregate lending data provided the primary standard of comparison for the bank's home mortgage lending performance for the corresponding year, as it is typically a better indicator of market conditions and loan demand. Examiners also considered the 2020 U.S. Census data for home mortgage lending. While examiners analyzed two years of home mortgage lending data for the Geographic Distribution and Borrower Profile criteria in both assessment areas, this performance evaluation only presents 2023 data, as the results of the 2022 analysis was not materially different. Additionally, although this evaluation presents both the

number and dollar volume of loans, examiners emphasized performance by number of loans as it is a better indicator of the number of businesses, individuals, and farms served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

ESB Financial demonstrates satisfactory performance under the Lending Test. Performance in all evaluated criteria in the Lyon County Assessment Area supports this conclusion. Information about the bank's overall performance is detailed in this section. Refer to subsequent sections of this evaluation for detailed information by assessment area.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment areas. The bank's performance was evaluated based on the average of the 23 quarterly net loan-to-deposit ratios since the prior evaluation. The resulting average net loan-to-deposit ratio is similar to comparable institutions during the same evaluation period. Examiners selected comparable banks based on their asset size, geographic location, and product mix. See the following table for details.

Loan-to-Deposit Ratio Comparison		
Bank	**Total Assets as of 12/31/2023 ($000s)**	**Average Net Loan-to-Deposit Ratio (%)**
ESB Financial, Emporia, Kansas	**335,139**	**67.9**
The Stockgrowers State Bank, Maple Hill, Kansas	109,587	77.9
Kaw Valley State Bank and Trust Company, Wamego, Kansas	246,520	58.2
Source: Reports of Condition and Income 6/30/2018 – 12/31/2023		

Assessment Area Concentration

As shown in the following table, a majority of the small business, home mortgage, and small farm loans reviewed were located inside the assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total #**	**Dollar Amount of Loans $(000s)**				**Total $(000s)**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**		**$**	**%**	**$**	**%**	
Small Business	88	73.3	32	26.7	120	13,276	82.5	2,825	17.5	16,101
Home Mortgage										
2023	94	83.9	18	16.1	112	14,718	68.8	6,688	31.2	21,406
2022	115	77.2	34	22.8	149	20,619	74.8	6,954	25.2	27,573
Small Farm	49	67.1	24	32.9	73	6,142	63.8	3,488	36.2	9,630
Total	**346**	**76.2**	**108**	**23.8**	**454**	**54,755**	**73.3**	**19,995**	**26.7**	**74,710**
Source: 2023 Bank Data; 2022-2023 HMDA Data.										

Geographic Distribution

Overall, the geographic distribution of loans is reasonable. The bank's reasonable performance in the Lyon County Assessment Area supported this conclusion. For this analysis, examiners focused on the bank's lending performance in low- and moderate-income census tracts in both assessment areas. While the bank exhibited poor performance in the Manhattan Assessment Area, greater weight was given to the bank's performance in the Lyon County Assessment Area. Additional details are provided later in the evaluation.

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among businesses and farms of different revenue sizes and individuals of different income levels. Reasonable performance was noted in the Lyon County Assessment Area. Examiners focused on the bank's lending to businesses and farms with gross annual revenues of $1 million or less and lending to low- and moderate-income individuals. While the bank exhibited poor performance in the Manhattan Assessment Area, greater weight was given to bank's performance in the Lyon County Assessment Area. Additional details are provided later in the evaluation.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

LYON COUNTY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LYON COUNTY ASSESSMENT AREA

The assessment area is comprised of Lyon County, which is located in a nonmetropolitan area of Kansas. The Lyon County Assessment Area accounts for the majority of the bank's overall business and operations. The bank's main office, one branch office, and one drive-through facility are located in this assessment area. The main office and branch office have an on-site deposit-taking ATM.

Economic and Demographic Data
This assessment area consists of 12 census tracts, including one moderate-, five middle-, five upper- and one unknown-income census tract. In addition, nine of the census tracts were designated as distressed middle-income geographies for at least part of the evaluation period, and the five middle-income census tracts are currently classified as distressed. The following table illustrates select demographic characteristics of the Lyon County Assessment Area.

Demographic Information of the Lyon County Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	12	-	8.3	41.7	41.7	8.3
Population by Geography	32,179	-	10.7	51.7	36.8	0.9
Housing Units by Geography	15,378	-	12.2	52.4	35.4	-
Owner-Occupied Units by Geography	7,829	-	5.7	46.4	47.8	-
Occupied Rental Units by Geography	5,732	-	20.7	58.7	20.5	-
Vacant Units by Geography	1,817	-	12.8	58.4	28.8	-
Businesses by Geography	2,419	-	7.3	54.2	37.7	0.8
Farms by Geography	205	-	1.0	16.1	82.9	-
Family Distribution by Income Level	7,630	15.6	18.2	24.2	42.0	-
Household Distribution by Income Level	13,561	25.5	16.9	16.3	41.4	-
Median Family Income for Lyon County, Kansas – 2023	$65,467	Median Housing Value				$120,115
		Median Gross Rent				$651
		Families Below Poverty Level				7.0%
Source: 2020 U.S. Census and 2023 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.						

The 2023 D&B data indicates the services industry represents the largest portion of businesses at 33.8 percent, followed by non-classifiable establishments at 14.9 percent, retail trade at 12.5 percent, and finance; insurance; and real estate at 10.2 percent. The data also indicates a notable number of area businesses are relatively small, with 89.8 percent having 9 or fewer employees, and 87.3 percent operating from a single location.

The Federal Financial Institutions Examination Council's (FFIEC) median family income figures for Lyon County, Kansas were used to analyze home mortgage Borrower Profile performance. These figures along with the corresponding income thresholds are presented in the following table.

Median Family Income Ranges for the Lyon County, Kansas				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 ($73,400)	<$36,700	$36,700 to <$58,720	$58,720 to <$88,080	≥$88,080
2023 ($79,900)	<$39,950	$39,950 to <$63,920	$63,920 to <$95,880	≥$95,880
Source: FFIEC				

Competition
There is notable competition for financial services in this assessment area. According to June 30, 2023 FDIC Deposit Market Share data, there are 8 banks operating 13 offices in the assessment area. ESB Financial has the largest market share, holding 40.0 percent of the market's deposits.

Community Contact
As part of the evaluation process, examiners contact third parties in the assessment area to help gain insight into the area's economy, demographic trends, and business environment. This information helps determine whether local financial institutions are responsive to these needs. It also identifies what credit opportunities are available.

The community contacted indicated the economic conditions in the area are thriving and the COVID-19 pandemic had minimal impact on the area economy. The economy is driven by several industries; including food processing manufacturers, pet nutrition manufacturers, education, agriculture, and healthcare. These leading industries continue to have significant competition for employees. The contact believes the primary credit needs of the area include commercial, home mortgage, agricultural, and consumer loans. The contact indicated that area financial institutions are actively involved and responsive to the community and do a good job overall in attempting to meet the area's credit needs.

Credit Needs
Considering information from the community contact and economic and demographic information, examiners determined that small business, home mortgage, and small farm loans are the primary credit needs in this assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LYON COUNTY ASSESSMENT AREA

LENDING TEST

ESB Financial demonstrates satisfactory performance under the Lending Test in the Lyon County Assessment Area. Reasonable performance under both the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Lyon County Assessment Area. The bank's reasonable small business, home mortgage, and small farm loan performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the Lyon County Assessment Area. The following table indicates the bank's lending performance in the moderate-income census tract is generally comparable to demographic data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Moderate	7.3	4	5.7	600	6.8
Middle	54.2	22	31.4	3,680	41.5
Upper	37.7	43	61.4	4,281	48.2
Not Available	0.8	1	1.4	313	3.5
Totals	**100.0**	**70**	**100.0**	**8,874.00**	**100.0**
Source: 2023 D&B Data; 2023 Bank Data. *Due to rounding, totals may not equal 100.0%*					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table indicates the bank's 2023 performance exceeds the demographic data in the moderate-income tract.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	$(000s)	%
Moderate	5.7	6	7.4	515	4.4
Middle	46.4	42	51.9	5,194	44.5
Upper	47.8	33	40.7	5,952	51.0
Totals	**100.0**	**81**	**100.0**	**11,661**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Data. *Due to rounding, totals may not equal 100.0%.*					

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the Lyon County Assessment Area. The following table indicates the bank's lending performance exceeds the demographic data in the moderate-income census tract.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	$(000s)	%
Moderate	1.0	1	2.2	288	5.1
Middle	16.1	2	4.3	135	2.4
Upper	82.9	43	93.5	5,206	92.5
Totals	**100.0**	**46**	**100.0**	**5,629**	**100.0**
Source: 2023 D&B Data; 2023 Bank Data.					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different revenue sizes, and individuals of different income levels in the Lyon County Assessment Area. The bank's reasonable lending performance in all loan categories supports this conclusion.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of all sizes. As illustrated in the following table, the bank's percentage of lending to small businesses with revenues of $1 million or less lags the demographic data for this revenue category. However, a few borrowers had multiple loans, which partially skews the data. When considering the number of borrowers served, 63.3 percent of the bank's sampled small business loans were to businesses with revenues of $1 million or less. Examiners also considered the lending performance for two comparable institutions operating in Lyon County. The percentage of lending to small businesses with revenues of $1 million or less ranged from 56.3 percent to 76.5 percent for these institutions. ESB Financial's percentage of lending to small businesses with revenues of $1 million or less is similar to the comparable banks. As a result, the lending performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000	82.4	21	58.3	2,664	59.8
>$1,000,000	4.5	15	41.7	1,793	40.2
Revenue Not Available	13.1	-	-	-	-
Total	**100.0**	**36**	**100.0**	**4,457.00**	**100.0**
Source: 2023 D&B Data; 2023 Bank Data.					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including moderate-income borrowers. The following table indicates the bank's lending to moderate-income borrowers exceeds the 2020 U.S. Census data, and the lending performance to low-income borrowers is below the 2020 U.S. Census data. However, it is important to consider that 7.0 percent of low-income families generate incomes below the poverty level. These families likely face significant difficulties qualifying for traditional home mortgage loans. As a result, the bank's home mortgage lending to low- and moderate-income borrowers is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	**% of Families**	**#**	**%**	**$(000s)**	**%**
Low	15.6	5	6.2	450	3.9
Moderate	18.2	18	22.2	1,719	14.7
Middle	24.2	12	14.8	1,730	14.8
Upper	42.0	34	42.0	6,333	54.3
Not Available	-	12	14.8	1,429	12.3
Totals	**100.0**	**81**	**100.0**	**11,661**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Data.					

Small Farm Loans

The distribution of loans to farms of different revenue sizes is reasonable. As shown in the following table, the bank's percentage of lending to farms with revenues of $1 million or less is significantly lower than demographic data in this revenue category. However, a few borrowers had multiple loans, which partially skews the data. When considering the number of borrowers served, 83.3 percent of the sampled small farm loans were to farms with revenues of $1 million or less. Additionally, the 2022 Census of Agriculture, the most recent data available, shows 57.3 percent of the farms in the county had no interest expenses, indicating a sizeable percentage of smaller farms in the assessment area may have little or no need for credit. Given these additional considerations, the bank's performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000	97.6	23	76.7	2,522	62.8
>$1,000,000	1.0	7	23.3	1,495	37.2
Revenue Not Available	1.5	-	-	-	-
Total	**100.0**	**30**	**100.0**	**4,017**	**100.0**
Source: 2023 D&B Data, 2023 Bank Data. *Due to rounding, totals may not equal 100.0%*					

MANHATTAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MANHATTAN ASSESSMENT AREA

The assessment area is comprised of the entire Manhattan, Kansas MSA, which includes all of Geary, Pottawatomie, and Riley counties. There is one full-service branch office, with an on-site ATM, in this assessment area.

Economic and Demographic Data

This assessment area consists of 33 census tracts, including 3 low-, 6 moderate-, 13 middle-, 9 upper- and 2 unknown-income census tracts. The following table illustrates select demographic characteristics of the Manhattan Assessment Area.

Demographic Information of the Manhattan Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	33	9.1	18.2	39.4	27.3	6.1
Population by Geography	134,046	6.8	22.7	36.7	31.6	2.2
Housing Units by Geography	56,330	6.5	19.8	39.5	33.2	1.0
Owner-Occupied Units by Geography	23,860	2.9	12.4	39.1	45.5	0.2
Occupied Rental Units by Geography	24,767	8.4	27.6	39.3	22.7	1.9
Vacant Units by Geography	7,703	11.7	17.4	41.6	28.6	0.7
Businesses by Geography	9,247	7.0	11.2	42.5	38.8	0.5
Farms by Geography	590	2.5	11.4	49.7	36.4	-
Family Distribution by Income Level	29,779	21.4	17.1	21.4	40.2	-
Household Distribution by Income Level	48,627	22.7	16.7	19.6	40.9	-
Median Family Income for the Manhattan, Kansas MSA – 2023	$74,120	Median Housing Value				$142,766
		Median Gross Rent				$838
		Families Below Poverty Level				9.1%
Source: 2020 U.S. Census and 2023 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.						

The 2023 D&B data indicates the services industry represents the largest portion of businesses at 38.3 percent, followed by non-classifiable establishments at 15.4 percent, retail trade at 12.0 percent, and finance; insurance; and real estate at 10.8 percent. Agricultural operations comprise 6.0 percent of assessment area businesses. The data also indicates a notable number of area businesses are relatively small, with 89.9 percent having 9 or fewer employees, and 86.7 percent operating from a single location.

The FFIEC median family income figures for the Manhattan, Kansas MSA were used to analyze home mortgage Borrower Profile performance. These figures along with the corresponding income thresholds are presented in the following table.

Median Family Income Ranges for the Manhattan, Kansas MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 ($80,000)	<$40,000	$40,000 to <$64,000	$64,000 to <$96,000	≥$96,000
2023 ($88,000)	<$44,000	$44,000 to <$70,400	$70,400 to <$105,600	≥$105,600
Source: FFIEC				

Competition

There is significant competition for financial services in this assessment area. According to June 30, 2023 FDIC Deposit Market Share data, there are 22 banks operating 55 offices in the assessment area. ESB Financial ranked 19th, holding 0.8 percent of the market's deposits.

There is substantial competition for loans in the assessment area. Although the bank is not required to report small business lending data, aggregate CRA lending data for those reporting institutions provides insight on the level of competition and demand for small business loans. The data for 2021 showed 59 lenders reported 1,500 small business loans, in Geary; Pottawatomie; and Riley counties. The 2022 HMDA aggregate data showed that 233 lenders reported 3,659 home mortgage loans in the assessment area. ESB Financial ranked 43rd, with a 0.6 percent market share.

Credit Needs

Considering economic and demographic information, examiners determined that small business and home mortgage loans are the primary credit needs in this assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MANHATTAN ASSESSMENT AREA

LENDING TEST

ESB Financial demonstrates poor performance under the Lending Test in the Manhattan Assessment Area. Poor performance under both the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the Manhattan Assessment Area. The bank's poor lending performance in both loan categories supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the Manhattan Assessment Area. The following table indicates the bank did not extend any small business loans in the low-income census tracts and originated only one loan in the moderate-income census tracts, which lags the comparable data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Low	7.0	-	-	-	-
Moderate	11.2	1	5.6	117	3.5
Middle	42.58	11	61.1	1,340	39.7
Upper	38.8	6	33.3	1,920	56.9
Not Available	0.5	-	-	-	-
Totals	100.0	18	100.0	3,377	100.0
Source: 2023 D&B Data; 2023 Bank Data. Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the Manhattan Assessment Area. The following table indicates that the bank did not extend any home mortgage loans in the low-income census tracts, and only originated one loan in the moderate-income census tracts, which lags the comparable data.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	$(000s)	%
Low	2.9	-	-	-	-
Moderate	12.4	1	7.7	1,250	40.9
Middle	39.1	6	46.2	697	22.8
Upper	45.5	6	46.2	1,111	36.3
Not Available	0.2	-	-	-	-
Totals	100.0	13	100.0	3,057	100.0
Source: 2020 U.S. Census; 2023 HMDA Data. Due to rounding, totals may not equal 100.0%.					

Borrower Profile

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels in the Manhattan Assessment Area. The bank's poor lending performance in both loan categories supports this conclusion.

Small Business Loans

The distribution of small business loans reflects poor penetration among businesses with gross annual revenues of $1 million or less. The bank's small business lending significantly lags the demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000	82.7	7	38.9	1,364	40.4
>$1,000,000	4.0	11	61.1	2,013	59.6
Revenue Not Available	13.3	-	-	-	-
Total	**100.0**	**18**	**100.0**	**3,377**	**100.0**
Source: 2023 D&B Data; 2023 Bank Data.					

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among individuals of different income levels in the assessment area. The bank did not originate a home mortgage loan to a low- or moderate-income borrower in 2023, despite demographic data indicating these borrowers make up 21.4 percent and 17.1 percent of borrowers in the assessment area, respectively.

APPENDICES

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 institution'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).

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 institution 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.

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.

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.

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.

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 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.

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.