



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2018

Institution: Bank of Holland
12 South Main Street
Holland, NY 14080

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

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context.....	3
Institution Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Standards and Assessment Factors	4
Loan-to-Deposit Analysis and Other	
Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrowers Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Additional Factors	
Glossary	5

GENERAL INFORMATION

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

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

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated BOH according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2015, 2016, 2017, and 2018. BOH is rated “**Satisfactory**” or “2.” This rating means BOH had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: Satisfactory

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

BOH average loan-to-deposit (“LTD”) ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

BOH’s average LTD ratio of 68.9% for the evaluation period was just below the peer’s average LTD ratio of 76.1%.

Assessment Area Concentration: Satisfactory

During the evaluation period, BOH originated 84.5% by number and 83% by dollar value of its total HMDA-reportable, small business and consumer loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending within BOH’s assessment area.

Distribution by Borrower Characteristics: Satisfactory

BOH’s HMDA-reportable, small business, and consumer lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

Geographic Distribution of Loans: Not Rated

BOH’s assessment area did not contain any LMI census tracts in 2015, 2016 and most of 2017. Therefore, DFS did not rate BOH’s origination of loans in census tracts of varying income levels.

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

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

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

BOH is a New York State-chartered commercial bank established in 1893, and is a wholly owned subsidiary of Holland Bancorp, Inc.

BOH offers a full array of retail and commercial banking services and products. Loan products include Visa credit cards, personal, automobile, and home mortgage loans for consumers and letters of credit, and small business and commercial mortgage loans for business customers. Deposit products include certificates of deposit, checking, savings, holiday, and retirement accounts. The Bank also offers mobile banking and online bill-pay.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2018 filed with the Federal Deposit Insurance Corporation ("FDIC"), BOH reported total assets of \$135.3 million, of which \$88.3 million were net loans and lease financing receivables. The Bank reported total deposits of \$119.1 million, resulting in a loan-to-deposit ratio of 74.1%. According to the latest available comparative deposit data as of June 30, 2019, BOH had a market share of 0.29%, or \$133.9 million in a market of \$45 billion, ranking it 15th among 20 deposit-taking institutions in the assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2015, 2016, 2017 and 2018 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2015		12/31/2016		21/31/2017		12/31/2018	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	47,557	72.1	49,830	70.9	53,899	71.9	59,585	66.7
Commercial & Industrial Loans	837	1.3	1,052	1.5	2,429	3.2	3,493	3.9
Commercial Mortgage Loans	9,887	15.0	11,830	16.8	11,791	15.7	17,369	19.4
Multifamily Mortgages	694	1.1	823	1.2	737	1.0	1,077	1.2
Consumer Loans	3,439	5.2	3,178	4.5	3,254	4.3	2,992	3.3
Agricultural Loans	671	1.0	737	1.0	615	0.8	1,028	1.1
Construction Loans	2,875	4.4	2,825	4.0	2,212	3.0	3,840	4.3
Other Loans	10	0.0	9	0.0	12	0.0	11	0.0
Total Gross Loans	65,970		70,284		74,949		89,395	

As illustrated in the above table, BOH is primarily a real estate lender, with 66.7% of its loan portfolio in 1-4 family residential mortgages and 19.4% of the portfolio in commercial mortgages.

BOH operates three branch offices in Erie County. One branch is located in a middle-income census tract and two are in upper-income census tracts. Supplementing the banking offices is an automated teller machine ("ATM") network consisting of five

machines, one at each branch and two at off-site locations. The off-site ATMs do not accept deposits, and both are located in middle-income census tracts.

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

Assessment Area

The Bank's assessment area, which was expanded in October 2017, is comprised of parts of Cattaraugus, Erie, and Wyoming counties.

Prior to October 2017, the Bank's assessment area contained 23 census tracts, of which none were LMI tracts. There are now 45 census tracts in the Bank's assessment area, of which none are low-income, one is moderate-income, 24 are middle-income, 20 are upper-income, and there are no tracts with no income indicated.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Prior AA	LMI %
Cattaraugus*	0	0	0	3	0	3	0.0	2	0%
Erie*	0	0	1	18	19	38	2.6	19	0%
Wyoming*	0	0	0	3	1	4	0.0	2	0%
Total	0	0	1	24	20	45	2.2	23	0%

* Partial county

Demographic & Economic Data

The assessment area had a population of 207,494 during the evaluation period. Approximately 18.2% of the population was over the age of 65 and 17.9% was under the age of 16.

Of the 57,159 families in the assessment area 12.8% were low-income, 15.9% were moderate-income, 20.8% were middle-income and 50.5% were upper-income families. There were 85,125 households in the assessment area, of which 6.8% had income below the poverty level and 1.6% were on public assistance.

The weighted average median family income in the assessment area was \$81,656.

There were 91,099 housing units within the assessment area, of which 87.7% were one-to-four family units and 8.4% were multifamily units. A majority (73.7%) of the area's housing units were owner-occupied, while 19.7% were rental units. Of the 67,163 owner-occupied housing units, 0.7% were in LMI census tracts while 99.3% were in middle- and upper-income census tracts. The median age of the housing stock was 49 years, and the median home value in the assessment area was \$161,819.

There were 11,660 non-farm businesses in the assessment area. Of these, 82.2% were businesses with reported revenues of less than or equal to \$1 million, 6.9% reported revenues of more than \$1 million and 10.9% did not report their revenues. Of all the businesses in the assessment area, 96.6% were businesses with less than fifty employees, while 88.7% operated from a single location. The largest industries in the assessment area were services (42.8%), followed by retail trade (14.3%), and construction (9.1%); 8.2% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the annual average unemployment rates for New York State steadily declined during the evaluation period and its average unemployment rate during the evaluation period of 4.8% was below the average unemployment rates for Cattaraugus (6.0%), Erie (4.9%), and Wyoming (5.3%) counties. Erie County continuously had the lowest annual unemployment rates of the three counties during the evaluation period, while Cattaraugus County continuously had the highest unemployment rates.

Assessment Area Unemployment Rate				
	Statewide	Cattaraugus	Erie	Wyoming
2018	4.1	5.3	4.4	4.6
2017	4.7	6.2	5.1	5.6
2016	4.9	6.0	4.9	5.3
2015	5.3	6.3	5.3	5.6
Average	4.8	6.0	4.9	5.3

Community Information

DFS examiners conducted community contact interviews with representatives of two local nonprofit community organizations who are active in BOH's assessment area. The first organization's mission is to provide housing-related resources, education, and technical services for safe and affordable housing. The second organization works to stimulate reinvestment in its communities through residential and community renewal activities which include rehabilitation of individual housing units and the coordination and/or delivery of supporting services.

The representative of the first organization noted that economic conditions in the area are poor and housing costs are rising. He indicated the lack of affordable housing and the aging housing supply as major problems in the area and noted that many homes are dilapidated and in need of repair, or fully repaired and unaffordable. He identified the need for affordable housing and financial education programs in the area.

The representative of the second organization also mentioned the poor economy, but also noted the need for small businesses in the area to help stimulate the local economy. The lack of public transportation and the increasing cost of housing were also noted as major issues. He identified the need for first-time homebuyer programs and financial education services for the area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

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

DFS also considered the following factors in assessing the bank's record of performance:

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

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

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

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business demographic data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used that data even though BOH's assessment area includes only portions of Erie, Cattaraugus, and Wyoming counties.

The evaluation period included calendar years 2015, 2016, 2017, and 2018.

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

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

BOH is not required to report small business and small farm loan data. Therefore, BOH's small business and small farm lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes. Because BOH made very few small farm loans, DFS based its analyses on small business lending only.

At BOH's request, DFS considered BOH's consumer data in this evaluation. Aggregate consumer data are not available for comparative purposes.

At its prior Performance Evaluation, as of June 30, 2014, DFS assigned BOH a rating of "2" reflecting a "Satisfactory" record of helping to meet the credit needs of BOH's communities.

Current CRA Rating: Satisfactory

Lending Test: Satisfactory

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

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

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

While the Bank's quarterly LTD ratios exceeded the peer group's quarterly LTD ratios during 2015 and the first half of 2016, BOH's average LTD ratio of 68.9% for the evaluation period trailed the peer group's average ratio of 76.1%.

The table below shows BOH's quarterly LTD ratios in comparison with the peer group's ratios for the 16 quarters of the evaluation period.

Loan-to-Deposit Ratios																	
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Avg.
Bank	70.2	72.3	73.6	77.7	72.4	71.9	66.1	67.5	62.1	61.9	66.1	67.6	64.1	65.5	69.5	74.2	68.9
Peer	69.1	69.9	70.3	71.3	68.9	71.0	78.2	78.5	77.8	79.5	80.0	80.0	79.7	81.0	81.7	81.3	76.1

Assessment Area Concentration: Satisfactory

During the evaluation period, BOH originated 84.5% by number and 83% by dollar value of its total HMDA-reportable, small business and consumer loans within the assessment area. This majority of lending inside the assessment area reflects a reasonable concentration of lending within BOH's assessment area.

HMDA-Reportable Loans

BOH originated 79.8% by number and 79.1% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending within BOH's assessment area.

The Bank's lending within the assessment area was fairly consistent for 2015, 2016, and 2017 for both number and dollar value of loans, but declined in 2018 to 76.7% and 71.5%, respectively.

Small Business Loans

BOH originated 83.5% by number and 87.3% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending within BOH's assessment area.

Consumer Loans

BOH originated 88.3% by number and 85% by dollar value of its consumer loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending within BOH's assessment area.

The following table shows the percentages of the Bank's HMDA-reportable, small business and consumer loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2015	78	81.3%	18	18.8%	96	6,867	83.0%	1,402	17.0%	8,269
2016	90	81.1%	21	18.9%	111	9,003	84.3%	1,676	15.7%	10,679
2017	100	80.6%	24	19.4%	124	10,265	81.3%	2,361	18.7%	12,626
2018	92	76.7%	28	23.3%	120	11,090	71.5%	4,420	28.5%	15,510
Subtotal	360	79.8%	91	20.2%	451	37,225	79.1%	9,859	20.9%	47,084
Small Business										
2015	43	87.8%	6	12.2%	49	4,819	88.1%	650	11.9%	5,469
2016	40	80.0%	10	20.0%	50	6,436	89.6%	745	10.4%	7,181
2017	55	80.9%	13	19.1%	68	6,399	86.9%	964	13.1%	7,363
2018	60	85.7%	10	14.3%	70	8,680	85.5%	1,475	14.5%	10,155
Subtotal	198	83.5%	39	16.5%	237	26,334	87.3%	3,834	12.7%	30,168
Consumer										
2015	143	88.8%	18	11.2%	161	5,129	83.4%	1,018	16.6%	6,147
2016	146	91.8%	13	8.2%	159	5,919	85.6%	992	14.4%	6,911
2017	117	86.7%	18	13.3%	135	5,432	88.0%	742	12.0%	6,174
2018	123	85.4%	21	14.6%	144	8,367	83.8%	1,616	16.2%	9,983
Subtotal	529	88.3%	70	11.7%	599	24,847	85.0%	4,368	15.0%	29,215
Grand Total	1,087	84.5%	200	15.5%	1,287	88,406	83.0%	18,061	17.0%	106,467

Distribution by Borrower Characteristics: Satisfactory

BOH's HMDA-reportable, small business, and consumer lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable (One-to-Four Family) Loans

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

During the evaluation period, the Bank originated 23.3% by number and 13.6% by dollar value of its one-to-four family HMDA-reportable loans to LMI borrowers, which was on par with the aggregate's rates of 23.3% and 13.9%, respectively.

BOH's rates of lending to LMI borrowers exceeded the aggregate's rates by number and dollar value of loans in 2015 and 2017, while it was comparable in 2016 and trailed in 2018. The Bank attributed its performance in 2018 to the changing interest rate environment, which led BOH to replace its residential balloon mortgage product with a 30-year fixed rate mortgage.

BOH's rates of lending by number of loans were comparable to the assessment area's

LMI family demographics in 2015 and 2017, while the aggregate's rate for 2018 was comparable. All of the other years of the evaluation period, the Bank's and the aggregate's rates trailed the LMI family demographics.

The following table provides a summary of the distribution of the Bank's one-to-four family loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2015									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	3.8%	70	1.2%	87	4.7%	6,097	2.0%	12.6%
Moderate	12	23.1%	646	10.8%	306	16.5%	29,585	9.6%	13.7%
LMI	14	26.9%	716	11.9%	393	21.2%	35,682	11.6%	26.3%
Middle	16	30.8%	1,660	27.7%	483	26.0%	65,994	21.5%	21.1%
Upper	21	40.4%	3,608	60.2%	898	48.4%	190,081	61.9%	52.6%
Unknown	1	1.9%	9	0.2%	81	4.4%	15,554	5.1%	0.0%
Total	52		5,993		1,855		307,311		
2016									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.4%	34	0.4%	90	4.3%	6,042	1.7%	12.6%
Moderate	13	18.3%	973	11.9%	319	15.3%	33,606	9.6%	13.7%
LMI	14	19.7%	1,007	12.3%	409	19.6%	39,648	11.3%	26.3%
Middle	15	21.1%	1,450	17.7%	511	24.5%	68,526	19.6%	21.1%
Upper	41	57.7%	5,688	69.4%	1,089	52.3%	224,369	64.0%	52.6%
Unknown	1	1.4%	48	0.6%	75	3.6%	17,781	5.1%	0.0%
Total	71		8,193		2,084		350,324		
2017									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	3.8%	254	2.7%	92	4.7%	7,011	2.1%	12.3%
Moderate	20	25.3%	1,629	17.1%	317	16.2%	33,066	9.8%	16.2%
LMI	23	29.1%	1,883	19.8%	409	20.9%	40,077	11.9%	28.5%
Middle	18	22.8%	2,380	25.0%	469	23.9%	68,746	20.4%	19.6%
Upper	35	44.3%	4,928	51.8%	1,001	51.1%	214,014	63.6%	51.9%
Unknown	3	3.8%	315	3.3%	80	4.1%	13,491	4.0%	0.0%
Total	79		9,506		1,959		336,328		
2018									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	7.8%	395	3.7%	340	6.8%	28,190	3.4%	12.8%
Moderate	10	11.1%	640	6.1%	991	19.7%	108,975	13.2%	16.0%
LMI	17	18.9%	1,035	9.8%	1,331	26.5%	137,165	16.6%	28.7%
Middle	26	28.9%	2,240	21.3%	1,309	26.1%	169,255	20.4%	20.8%
Upper	47	52.2%	7,265	68.9%	2,169	43.2%	391,160	47.2%	50.5%
Unknown	0	0.0%	0	0.0%	213	4.2%	130,680	15.8%	0.0%
Total	90		10,540		5,022		828,260		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	4.5%	753	2.2%	609	5.6%	47,340	2.6%	
Moderate	55	18.8%	3,888	11.4%	1,933	17.7%	205,232	11.3%	
LMI	68	23.3%	4,641	13.6%	2,542	23.3%	252,572	13.9%	
Middle	75	25.7%	7,730	22.6%	2,772	25.4%	372,521	20.4%	
Upper	144	49.3%	21,489	62.8%	5,157	47.2%	1,019,624	56.0%	
Unknown	5	1.7%	372	1.1%	449	4.1%	177,506	9.7%	

Small Business Loans

BOH's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

BOH's average rates of lending to businesses with annual revenues of \$1 million or less during the evaluation period were 70.5% by number and 53.3% by dollar value of loans. This exceeded the aggregate's rates of 53.7% and 39.9%, respectively.

While BOH's annual lending rates to small businesses with revenue of \$1 million or less exceeded the aggregate's rates, both trailed the assessment area's demographic of small businesses with revenue of \$1 million or less, which ranged from 80.4% to 83.4% during the evaluation period.

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

Distribution of Small Business Lending by Revenue Size of Business									
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	27	65.9%	2,313	49.4%	1,048	55.0%	35,842	40.6%	80.4%
Rev. > \$1MM	10	24.4%	2,247	48.0%					5.5%
Rev. Unknown	4	9.8%	119	2.5%					14.1%
Total	41		4,679		1,905		88,176		
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	31	77.5%	4,257	66.1%	987	53.2%	37,794	42.2%	83.7%
Rev. > \$1MM	8	20.0%	2,172	33.7%					6.4%
Rev. Unknown	1	2.5%	7	0.1%					9.9%
Total	40		6,436		1,854		89,528		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	40	75.5%	3,361	53.7%	1,059	57.2%	34,527	40.7%	83.4%
Rev. > \$1MM	12	22.6%	2,891	46.2%					6.7%
Rev. Unknown	1	1.9%	7	0.1%					9.9%
Total	53		6,259		1,850		84,928		
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	38	64.4%	3,911	45.4%	1,591	51.1%	51,252	37.5%	82.2%
Rev. > \$1MM	21	35.6%	4,699	54.6%					6.9%
Rev. Unknown	-	0.0%	0	0.0%					10.9%
Total	59		8,610		3,111		136,574		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	136	70.5%	13,842	53.3%		53.7%		39.9%	
Rev. > \$1MM	51	26.4%	12,009	46.2%					
Rev. Unknown	6	3.1%	133	0.5%					
Total	193		25,984						

Consumer Loans

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

BOH's average rate of lending of 35.5% by number of loans to LMI borrowers exceeded the LMI household demographic range of 28% to 30.9% for the evaluation period, while its rate of lending of 11.6% by dollar value trailed the demographic.

The following table provides a summary of the distribution of the Bank's consumer loans by borrower income level.

Distribution of Consumer Lending by Borrower Income					
2015					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	25	17.5%	365	7.1%	15.8%
Moderate	24	16.8%	276	5.4%	12.2%
LMI	49	34.3%	641	12.5%	28.0%
Middle	37	25.9%	892	17.4%	16.8%
Upper	54	37.8%	3,543	69.1%	55.3%
Unknown	3	2.1%	53	1.0%	0.0%
Total	143		5,129		
2016					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	24	16.4%	400	6.8%	15.8%
Moderate	31	21.2%	857	14.5%	12.2%
LMI	55	37.7%	1,257	21.2%	28.0%
Middle	32	21.9%	961	16.2%	16.8%
Upper	59	40.4%	3,701	62.5%	55.3%
Unknown	0	0.0%	0	0.0%	0.0%
Total	146		5,919		
2017					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	15	12.8%	63	1.2%	15.5%
Moderate	30	25.6%	430	7.9%	14.2%
LMI	45	38.5%	493	9.1%	29.7%
Middle	30	25.6%	1,205	22.2%	16.0%
Upper	42	35.9%	3,734	68.7%	54.3%
Unknown	0	0.0%	0	0.0%	0.0%
Total	117		5,432		
2018					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	15	12.2%	111	1.3%	16.6%
Moderate	24	19.5%	368	4.4%	14.3%
LMI	39	31.7%	479	5.7%	30.9%
Middle	29	23.6%	1,398	16.7%	16.8%
Upper	54	43.9%	6,480	77.4%	52.3%
Unknown	1	0.8%	10	0.1%	0.0%
Total	123		8,367		
GRAND TOTAL					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	79	14.9%	939	3.8%	
Moderate	109	20.6%	1,931	7.8%	
LMI	188	35.5%	2,870	11.6%	
Middle	128	24.2%	4,456	17.9%	
Upper	209	39.5%	17,458	70.3%	
Unknown	4	0.8%	63	0.3%	
Total	529		24,847		

Geographic Distribution of Loans: Not Rated

DFS did not rate BOH's distribution of loans in census tracts of varying income levels, because BOH's assessment area did not contain any LMI tracts for the majority of the evaluation period (2015, 2016 and 2017). In October 2017 the Bank expanded its assessment area, adding 22 census tracts including one moderate-income census tract for a total of 45 census tracts in its assessment area. As a result, LMI tracts made up 2.2% of the Bank's assessment area census tracts in 2018.

During 2018, the Bank's originated no HMDA-reportable loans, small business loans, or consumer loans within the one moderate-income census tract in its assessment area. During the same year, the aggregate originated 0.7% of HMDA-reportable loans, 1.7% of small business loans, and 2.7% of consumer loans in the moderate-income census tract.

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

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

Additional Factors

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

BOH's board discusses CRA related efforts during its monthly meetings and reviews an exception report tracking loans originated outside the Bank's assessment area. This assists the Bank in assessing its assessment area. The Board also receives and reviews a CRA assessment conducted semi-annually to assess the Bank's CRA performance.

The CRA policy is reviewed and approved by the board annually.

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

DFS examiners did not note evidence of practices by BOH intended to discourage applications for the types of credit offered by BOH.

Evidence of prohibited discriminatory or other illegal credit practices.

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

Record of opening and closing offices and providing services at offices

BOH operates three branch offices, all located in Erie County, two of which are located in upper-income census tracts and one in a middle-income census tract. The Elma branch (upper-income census tract) was opened in March of 2016.

Each branch is open until 4:00 PM Monday to Thursday and offer late hours until 6:00 PM on Friday. In addition, the branches located in Holland and East Aurora are open until noon on Saturday.

All branches have deposit taking ATMs available 24 hours a day, seven days a week. The Bank also maintains two off-site ATMs, one at Hogan’s Food Market & Deli in a middle-income census tract in Wyoming County, and one at a Save-A-Lot store in a middle-income census tract in Cattaraugus County. These ATMs are non-deposit taking and available during regular store hours.

All branches offer all of the Bank’s products and services including drive-thru banking, and telephone, online, and mobile banking services.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
*Erie				1	2	3	0%
*Wyoming						0	0%
*Cattaraugus						0	0%
Total				1	2	3	0%

*Partial county

Process Factors

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

BOH’s board of directors and management were actively involved with local community and nonprofit organizations to ascertain the credit needs of the community and convey awareness of the services and products that the Bank provides to businesses and residents. BOH remains a member of local chambers of commerce and a staff member held the position of treasurer at a local Chamber of Commerce.

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

The Bank advertises its products and services via local newspapers, the PennySaver,

radio ads, and outdoor advertising within its geographic market area. BOH also sponsors local events such as the Annual Holland Tulip Festival, the Roycroft Chamber Music Festival, and sporting events at the Aurora Ice Association.

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

BOH conducted several community development activities throughout the evaluation which help meet the credit needs of its community, as follows:

- BOH maintains a \$25,000 line of credit for the New York Business Development Corporation. This line of credit supports small businesses in New York State by creating access to alternative financing options.
- BOH contributed \$4,465 during the evaluation period to the Federal Home Loan Bank of New York which helped to fund numerous affordable housing initiatives in New York State.
- BOH made \$2,150 in charitable contributions to a local nonprofit organization located which assists LMI individuals and families become financially self-sufficient.

GLOSSARY

Aggregate Lending

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;

- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Geography

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

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area (“MSA”) or statewide nonmetropolitan median income.

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

Small Business Loan

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

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas where, according to the 2010 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a MSA or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of Block Numbering Areas (“BNAs”) and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all

instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

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

Low-Income Housing Tax Credit (“LIHTC”)

A dollar-for-dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low-income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar-for-dollar reduction in a taxpayer’s federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

Minority Depository Institutions (“MDIs”)

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit (“NMTC”)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use

substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

Paycheck Protection Program ("PPP") Loans

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") temporarily permits the U.S. Small Business Administration ("SBA") to guarantee 100% of 7(a) loans under a new program titled the "Paycheck Protection Program". The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%.