



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2004

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 Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Bank of Holland ("BOH") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2004.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks 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 Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking 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 record of 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 be made available to the public ("Evaluation"). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.3 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State 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

BOH is rated "1," indicating an outstanding record of helping to meet community credit needs. This rating is based on the following factors:

Loan-to-Deposit ("LTD") Ratio:"

BOH's LTD ratio is more than reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. The bank's average LTD ratio for the 10 quarters ending December 31, 2004 was 80.58%, which is well above the peer group's average of 69.72%.

Assessment Area Concentration:

The bank extended a substantial majority of its loans in the assessment area. During the evaluation period, the bank extended 83.9% by number and 81.7% by dollar volume of its HMDA-reportable and Consumer loans inside the assessment area.

HMDA-reportable loans: In 2003, the bank originated 85.4% of its HMDA-reportable loans inside the assessment area. In terms of dollar volume, 86.8% of the bank's 2003 HMDA-reportable loans were inside the assessment area. In 2004, 79.3% of the bank's HMDA-reportable loans by number and 76.4% by dollar volume were originated inside the assessment area.

Consumer loans: In 2003, the bank originated 87.5% of its consumer loans inside the assessment area. Based on dollar volume 93.1% of the bank's 2003 consumer loans were originated inside the assessment area. In 2004, the bank extended 85.3% of its consumer loans inside the assessment area. In terms of dollar volume the ratio inside the assessment area was 72.4%.

Geographic Distribution of Loans:

The bank's geographic distribution of loans reflects excellent dispersion among census tracts of different income levels. As there are no LMI census tracts within the assessment area, the analysis includes only lending in middle- and upper-income geographies.

HMDA-reportable loans: In 2003, the bank extended 88.6% of its HMDA-reportable loans in middle-income and 11.4% in upper-income areas. The bank's middle-income penetration ratio was better than the aggregate while upper-income penetration ratio was less than the aggregate. The market aggregate penetration ratio was 47.3% and 52.7% respectively.

In 2004, the bank's ratio of HMDA-reportable loans extended in middle-income areas remained relatively stable at 86.4%, while the upper-income penetration ratio increased slight to 13.6%.

Consumer loans: In 2003, the bank extended 85.7% of consumer loans in middle-income areas and 14.3% in upper-income areas. In 2004, the bank's ratio of consumer loans in middle- and upper-income geographies was 81.0% and 19.0%, respectively.

Distribution by Borrowers Characteristics:

The bank's distribution of loans reflects excellent penetration among individuals of different income levels.

HMDA-reportable loans: In 2003, the bank distributed 33.0% of its HMDA-reportable loans among LMI borrowers. This ratio was well above the market aggregate's LMI penetration ratio of 17.2%. In 2004, the ratio of HMDA-reportable loans the bank distributed among LMI borrowers increased to 35.2%.

Consumer loans: In 2003, 52.4% of the bank consumer loans were extended to LMI individuals. This ratio increased to 67.2% in 2004.

Neither the bank nor the New York State Banking Department received any complaints with respect to its 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 State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

Bank of Holland ("BOH") is a commercial bank incorporated in 1893. The bank is a community-oriented financial institution offering a full range of commercial and consumer loan products (excluding credit cards) and services to meet the needs of the community. As of December 31, 2004, the bank reported total assets of \$64.2 million. In 2001, the bank became the wholly owned subsidiary of Holland Bancorp Inc.

The bank operates two full service banking offices. These include the bank's corporate office located in the town of Holland and a branch office located in the town of East Aurora, NY. To supplement its banking offices, the bank operates a system of automated teller machines (ATMs) at each office and at three off-sites which do not accept deposits. The bank's ATM network features 24 hour service and is affiliated with MAC, PLUS and Cartel Networks.

In July of 2003, the bank opened one full service branch office in East Aurora. No branch office was closed during the evaluation period.

The bank's hours of operations are tailored to meet the needs of the assessment area. Both the lobby and drive-up facilities have extended hours of service including on Saturdays.

Market Share

Deposits: According to comparative deposit data dated June 30, 2004, the bank has a market share of 0.23%, or \$52.1 million out of \$23 billion, ranking it 19 among other 21 deposit-taking institutions in Cattaraugus, Erie and Wyoming Counties.

Mortgage Lending: In 2003, the bank ranked 15th out of 156 home mortgage lenders in the assessment area, with 1.78% in market share based on number of loans and 1.27% based on dollar volume. The average loan size was \$82 thousand. Peer market data for 2004 was not available during the period this report was written.

Loans and Lease Finance Receivables

Per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition dated December 31, 2004, the bank reported net loans and lease finance receivables of \$47.7 million and total deposits of \$56.5 million, resulting in a loan-to-deposit ratio of 84%.

The following table illustrates the bank's loan portfolio, based on Schedule RC-C of the bank's 2002, 2003 and 2004 year-end Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2002		12/31/2003		12/31/2004	
	\$*	%	\$*	%	\$*	%
1-4 Residential Mortgage Loans	25,674	73.8	29,949	76.1	38,028	79.8
Commercial & Industrial Loans	2,276	6.5	2,554	6.5	3,352	7.0
Commercial Mortgage Loans	3,983	11.5	3,640	9.2	1,926	4.0
Consumer Loans	1,960	5.6	2,245	5.7	2,310	4.8
Construction Loans	880	2.6	972	2.5	2,057	4.4
Total Gross Loans	34,773	100.0	39,360	100.0	47,673	100.0

* In thousands

As illustrated in the above table, the bank is primarily a residential mortgage lender with 79.8% of its loan portfolio in 1-4 family residential mortgages. Since the previous evaluation, 1-4 family residential mortgages increased by 48% to \$38 million as of December 31, 2004. Between 2002 and 2003, the rate of growth of the bank's 1-4 family mortgages was 17% and 27% between 2003 and 2004. Overall, the bank's loan portfolio as of December 31, 2004 reflects an increase of 37.1% from the previous evaluation, dated December 31, 2002.

The bank's competitors include smaller community banks, larger financial institutions, mortgage bankers, finance companies, credit unions, insurance companies and brokerage firms.

The bank received a rating of "1" reflecting an outstanding record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of June 30, 2002.

There were no known financial or legal impediments that impacted the bank's ability to meet the credit needs of its community.

Assessment Area:

The bank delineated parts of Erie, Wyoming and Cattaraugus Counties as its assessment area. In Erie County, the area includes the towns of Concord, Colden, Sardinia, Holland, Wales, Marilla, Elma, Orchard Park, Boston and the villages of East Aurora and Springville.

The area also includes the towns of Arcade and Java in Wyoming County and the town of Freedom and village of Delevan in Cattaraugus County.

Distribution of Census Tracts

The bank expanded its assessment area on September 9, 2004. According to the 2000 U.S. Census, the assessment area now consists of 23 census tracts of which 13 (56.6%) are middle income and 10 (43.5%) are upper income. The area does not include any LMI tracts. Nineteen of the assessment area's 23 census tracts are in Erie County. Nine (47.4%) of these are middle-income and 10 (52.6%) are upper-income. The counties of Wyoming and Cattaraugus each contain two middle-income census tracts.

According to the 1990 U.S. Census, the assessment area contained nine census tracts and four Block Numbering Areas (BNAs). As with the 2000 Census, there was no LMI tracts in the area.

The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Details of Assessment Area:

Population: According to the 2000 U.S Census, the assessment area has a population of 102.6 thousand of which 14.6% are above the age of 65 and 22.5% under the age of 16. The assessment area has a total of 28.6 thousand families, of which 3.1 thousand (10.8%) are low income, 4.6 thousand (16.2%) moderate income, 6.6 thousand (23.1%) middle income and 14.3 thousand (49.9%) are upper income families. There are 38.6 thousand households of which 1.9 thousand (5.0%) are living below the poverty level. The weighted average of median family income and weighted average of census MSA median family income were estimated at \$59.8 thousand and \$47.8, respectively. Housing and Urban Development Administration ("HUD") updated median family income for the MSA is \$54.8 thousand.

Housing: The assessment area consists of 41 thousand housing units of which 35.9 thousand (88.0%) are 1-4 family and 2.4 thousand (6.0%) are multifamily units. There are 38.5 thousand (93.7%) occupied housing units in the assessment area. Seventy-six percent are owner occupied and 18% are rental occupied units. The average median housing price is \$113 thousand and the average year built is 1963. There are 22 thousand (53.6%) housing units in middle income tracts and 19.1 thousand (46.4%) in upper income tracts.

Unemployment Rates: According to the New York State Department of Labor, Erie County's 2004 average unemployment rate was 5.7%; Cattaraugus County's rate was 6.1% and Wyoming County's 6.4%. The 2004 State-wide average rate was 5.8%.

The bank received a rating of "1" reflecting an outstanding *record* of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department on December 31, 2001.

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population**	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Erie	87.647	13,072	14.91	19,637	22.4	62,876	56,300	32,884	1,393	4%	24,543	2,426	9.88	3,781	15.4	5,531	22.54	12,805	52.17	0	0.0
Wyoming	6.406	840	1.81	1,474	23	44,480	47,900	2,480	184	7%	1,764	197	11.16	348	19.72	494	28	725	41.1	0	0.0
Cataaugus	8 578	1,098	12.8	2,018	23.53	38,436	47,900	3,236	406	13%	2,299	470	20.44	509	22.14	569	24.75	751	32.66	0	0.0
TOTAL A/A*	102,631	15,010	14.63	23,129	22.54	59,778	54,839	38,600	1,983	5%	28,606	3,093	10.81	4,638	16.21	6,594	23%	14,281	49.92	0	0.0

* Assessment Area ** In thousands

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Erie	34,214	30,978	91	2,203	6	26,772	78	0	0.0	0	0.0	11,471	42.87	15,301	57.15	6,563	19	0	0
Wyoming	2,889	2,450	85	114	4	1,964	68	0	0.0	0	0.0	1,964	100	0	0.0	547	19	0	0
Cataaugus	4,034	2,569	64	112	3	2,545	63	0	0.0	0	0.0	2,545	100	0	0.0	796	20	0	0
TOTAL A/A*	41,137	35,997	88	2,429	6	31,281	76	0	0.0	0	0.0	15,980	51.09	15,301	48.91	7,906	19	0	0

* Assessment Area

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Bank of Holland's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The assessment period includes calendar years 2003 and 2004. In evaluating factors (2), (3) and (4), as noted above, examiners reviewed HMDA-reportable and consumer loans, which, together, represent 84.6% of the bank's total gross loans. Examiners based their review of the bank's consumer loans on a sample of 140 loans. These loans represented 21.1% of the bank's total number of consumer loans and almost \$2.5 million (23.8 %) of the total dollar value. These loans were selected based on a confidence level of 95%. In the overall analysis, the bank's HMDA lending received greater emphasis than its consumer lending.

Statistics utilized in this evaluation were derived from various sources. In addition to loan information submitted by the bank, aggregate data for HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz©, an external vendor. The demographic data referred to in this report was obtained from the 2000 U.S. Census, with the updated median family income figures provided by HUD. Aggregate mortgage data for 2004 was not available during the period that his evaluation was being conducted. Please note, numbers are the primary factors used to weight the bank's performance. When necessary, dollar amounts are used as a secondary measure of performance.

- **Loan-to-Deposit Ratio Analysis:** "Outstanding"

The bank's LTD ratio is more than reasonable considering the bank's size, financial condition and the credit needs of the assessment area.

The bank's average LTD ratio for the 10 quarters ending December 31, 2004 was 80.5 %, which was well above the peer group's average of 69.7%. The peer group includes all insured commercial banks having assets between \$50 million and \$100 million in a metro area with two or fewer full service offices. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC"). As shown in the table below, the bank's LTD ratios did not vary by much, ranging from a low of 73.7% as of the third quarter of 2003 to a high of 85.0% as of the third quarter of 2004. To compare, the peer group ratios included a low of 58.2% as of second quarter 2003 and a high of 79.4% as of fourth quarter 2004. Except for the third quarter of 2003 the bank's LTD ratios are consistently above the peer group.

Loan-to-Deposit Ratios											
	9/30/02	12/31/02	3/31/03	6/30/03	9/30/03	12/31/03	3/31/04	6/30/04	9/30/04	12/31/04	Aver.* LTD
Bank	84.44	82.56	79.66	80.15	73.70	77.05	77.69	81.95	85.01	83.17	80.58
Peer	59.03	58.29	56.93	58.27	75.42	76.5	76.58	77.66	79.07	79.42	69.72

* Average

- **Assessment Area Concentration:** “Outstanding”

The bank originated a substantial majority of its HMDA-reportable and consumer loans inside the assessment area.

HMDA

The bank originated a Substantial majority of HMDA-reportable loans inside the assessment area.

During the current evaluation period, the bank originated a total of 176 HMDA-reportable loans inside the assessment area. This represented an increase of 58.6% compared to 111 loans during the prior evaluation. In terms of the dollar volume, the bank’s HMDA-reportable loans increased by 121.9% from \$6.4 million to \$14.2 million.

In 2003, the bank originated 85.4% of its HMDA-reportable loans, based on number of loans, and 86.8%, based on dollar volume, inside the assessment area. During 2004, the bank’s HMDA originations inside the assessment area decreased to 79.3% based on number and 76.4%, based on dollar volume.

Consumer Loans

The sample of the bank’s consumer loans reviewed showed that a substantial majority of these loans were made inside the assessment area during the evaluation period.

In 2003, the bank extended 87.5% by number and 93.1% by dollar volume of its consumer loans inside the assessment area. In 2004, the ratio of the bank’s consumer loans originated inside the assessment area was, 85.3% by number and 72.4% by dollar volume.

Please refer to the following table for further details on the distribution of the bank’s HMDA-reportable and consumer loans inside and outside 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										
2003	88	85.4	15	14.57	103	7,241	86.8	1,099	13.2	8,340
2004	88	79.3	23	20.72	111	6,974	76.4	2,152	23.6	9,126
Subtotal	176	82.2	38	17.8	214	14,215	81.4	3,251	18.6	17,466
Consumer sample										
2003	63	87.5	9	12.5	72	1,298	93.1	96	6.9	1,394
2004	58	85.3	10	14.7	68	766	72.4	292	23.6	1,058
Subtotal	121	86.4	19	13.6	140	2,064	84.2	388	15.8	2,452
Total	297	83.9	57	16.1	354	16,279	81.7	3,639	18.3	19,918

- **Geographic Distribution of Loans:** “Outstanding”

The geographic distribution of loans reflects excellent dispersion among middle- and upper-income census tracts of different income levels. As there are no LMI census tracts in the assessment area, an analysis of lending across middle and upper income census tracts was performed.

HMDA Loans

In 2003, 88.6% of the bank’s HMDA-reportable loans were extended in middle-income tracts and 11.4% were in upper income tracts. For the market aggregate, the rates were, 47.3% in middle- and 52.7% in upper-income tracts.

In 2004, the bank originated an equal number of HMDA-reportable loans inside the assessment area as in 2003. Of these 86.4% were extended in middle-income areas and 13.6% in upper-income areas.

Please refer to the following table for additional details regarding the geographic distribution of HMDA-reportable loans during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geography	Bank				Aggregate			
Income Level	#	%	\$**	%	#	%	\$**	%
Low	0	0.0		0.0	0	0.0	0	0.0
Moderate	0	0.0		0.0	0	0.0	0	0.0
Middle	78	88.6	6,050	83.6	2,340	47.3	213,440	37.4
Upper	10	11.4	1,191	16.4	2,603	52.7	357,840	62.6
Total	88	100.0	7,241	100.0	4,943	100.0	571,280	100.0
Geography	Bank				Aggregate			
Income Level	#	%	\$	%				
Low	0	0.0	0	0.0				
Moderate	0	0.0	0	0.0				
Middle	76	86.4	5,758	82.6				
Upper	12	13.6	1,216	17.4				
Total	88	100.0	6,974	100.0				

* Geography income level is based upon 1990 & 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%. ** In thousands.

Consumer Loans

The following chart provides a summary of the distribution of the bank's consumer lending during the evaluation period:

Distribution of Consumer Loans by Geographic Income Level								
Geography	2003				2004			
Income Level	#	%	\$*	%	#	%	\$*	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	54	85.7	1,195	92.0	47	81.0	465	60.7
Upper	9	14.3	104	8.0	11	19.0	301	39.3
Total	63	100.0	1,299	100.0	58	100.0	766	100.0

* In thousands

In 2003, based on a sample of 63 of the bank's consumer loans originated inside the assessment area, 54 loans (85.7%) were in middle-income tracts and nine (14.3%) were in upper-income tracts. The distribution of these loans, based on dollar volume was \$1.2 million (92.0%) in middle-income tracts and \$104 thousand (8.0%) in upper-income tracts. In 2004, based on a sample of 54 of the bank's consumer loans, 47 loans (81.0%) totaling \$465 thousand (60.7%) were extended in middle income geographies. From this same sample, 11 loans (19.0%) totaling \$301 thousand (39.3%) were extended in upper-income tracts.

- **Distribution by Borrower Characteristics:** “Outstanding”

The distribution of loans based on borrower characteristics reflects excellent penetration among individuals of different income levels.

HMDA Loans

In 2003, the bank extended 33.0% of its HMDA-reportable loans among LMI borrowers. To compare the market aggregate extended 17.2% of their HMDA-reportable-loans to such borrowers. In 2004, the bank increased lending among LMI borrowers to 35.2% of its total HMDA-reportable loans. In terms of the assessment area demographics, the bank’s HMDA lending among LMI borrows was also well above the 27.0% level of LMI families in the assessment area.

The following illustrates the distribution of 1-4 family HMDA-reportable loans during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2003								
Borrower	Bank				Aggregate			
Income Level	#	%	\$**	%	#	%	\$**	%
Low	7	8.0	304	4.2	172	3.5	9,114	1.6
Moderate	22	25.0	1,504	20.8	678	13.7	50,461	8.8
Middle	31	35.2	2,428	33.5	1,260	25.5	116,997	20.5
Upper	27	30.7	2,855	39.4	2,537	51.3	341,253	59.7
N/A	1	1.1	150	2.1	296	6.0	53,565	9.4
Total	88	100.0	7,241	100.0	4,943	100.0	571,390	100.0
2004								
Borrower	Bank							
Income Level	#	%	\$	%				
Low	12	13.6	524	7.5				
Moderate	19	21.6	1,275	18.3				
Middle	30	34.1	2,446	35.1				
Upper	27	30.7	2,729	39.1				
Total	88	100.0	6,974	100.0				

*Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income (“MFI”) figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%. ** In thousands.

Consumer Loans

This analysis was based on a sample of 63 of the bank’s consumer loans originated in 2003 and 58 originated in 2004.

In 2003, based on the sample of consumer loans selected for review, 33 loans (52.4%) totaling \$507 thousand (39.0%) were extended to LMI borrowers.

In 2004, the bank had an excellent penetration of consumer loans among LMI borrows. Thirty nine (67.3%) of the sampled consumer loans were to LMI borrowers. In terms of the dollar volume, the total was \$326 thousand (42.5%). As a further indication of the bank's strong performance among LMI borrows, the ratio of loans extended to LMI borrowers was substantially above the 27.6% level of LMI households.

The following chart provides a summary of the bank's consumer lending distribution based on borrower income during the evaluation period:

Distribution of Consumer Loans by Borrower Income Level												
Income Level												
Borrower	2003				2004				Total			
	#	%	\$	%	#	%	\$	%	#	%	\$	%
Low	15	23.8	148	11.4	19	32.7	131	17.1	34	28.1	279	13.5
Moderate	18	28.6	359	27.6	20	34.5	195	25.4	38	31.4	554	26.8
Middle	18	28.6	370	28.5	15	25.9	336	43.8	33	27.3	706	34.2
Upper	10	15.9	387	29.8	4	6.9	105	13.7	14	11.6	492	23.8
N/A	2	3.1	35	2.7	0	0.0	0	0.0	2	1.6	35	1.7
Total	63	100.0	1,299	100.0	58	100.0	767	100.0	121	100.0	2,066	100.0

- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the prior CRA evaluation conducted as of June 30, 2002 neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

IV. Discrimination or Other Illegal Practices

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

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices

The most recent regulatory compliance and fair lending examinations conducted with this evaluation indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

V. 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.

To ascertain the credit needs of the assessment area, the bank's directors and officers maintain ongoing relationships with local businesses, community leaders, local non-profit organizations, government officials and religious leaders. In April 2000, the bank conducted its third survey of customer product awareness and perception.

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's marketing effort includes print and radio media, in addition to direct mail. For example the bank advertises through penny savers and occasionally through radio (WXRL). The bank has also advertised on a local cable company, Adelphia Cable.

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

The bank's CRA policy is reviewed annually and approved by the board. CRA issues are discussed at monthly board meetings and at management committee meetings.

VI. Other Factors

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

During the evaluation period the bank donated \$16.2 thousand to various social and civic organizations.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

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

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- 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.

A "community development service" is defined as a service that has as its *primary purpose* community development, 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;

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- ❖ 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.

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.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US 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 Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case 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

Those individuals, 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 depicts 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 to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.