



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, 2008

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, 2008.

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 76.7 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's performance was evaluated according to the small bank performance criteria. The assessment period included calendar years 2005 to 2008. BOH is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs. This rating is unchanged from the prior rating of "1," based on the NYSBD Performance Evaluation dated December 31, 2004. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Outstanding"***
The bank's LTD ratio is considered more than reasonable considering its size, financial condition and the credit needs of its assessment area. BOH's average loan to deposit ratio from 2005 to 2008 was 83% compared to the peer group's 79%.
- ***Assessment Area Concentration: "Outstanding"***
The bank originated a substantial majority of its loans within the assessment area. For home mortgage, small business and consumer lending, considering both number of loans and dollars lent, BOH consistently lent more than 80% inside its assessment area.
- ***Distribution by Borrower Characteristics: "Outstanding"***
The distribution of loans based on borrower characteristics reflected an excellent penetration among individuals of different income levels and businesses of different sizes. The bank's HMDA-reportable lending showed three years of consistent results in lending to LMI borrowers. In 2006 and 2007, BOH exceeded the aggregate's penetration rate to LMI borrowers for number and dollar of loans. In all three years, BOH exceeded the family demographics of the assessment area. For small business lending for both 2006 and 2007, BOH exceeded the aggregate's penetration rate of lending to businesses with revenues of \$1 million or less, for both the number of loans and the total dollars lent. The bank's consumer lending penetration rate was also excellent. Despite household demographics that showed 28% of households to be LMI, the bank consistently achieved a penetration rate above 40% for number of loans.
- ***Geographic Distribution of Loans: Not Rated***
The assessment area, although reasonable, contains no LMI geographies. Therefore, lending in LMI areas could not be evaluated.
- ***Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"***
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:

BOH is a commercial bank headquartered in Holland, New York, operating as a New York state-chartered FDIC-insured financial institution. It was incorporated in 1893. In 2001, BOH became the wholly-owned subsidiary of Holland Bancorp, Inc. The bank operates two full-service banking offices, one at its headquarters and one branch in East Aurora, NY.

In addition to deposit products, BOH's lending products include consumer loan products, such as mortgages, installment loans and home equity lines of credit, and commercial loan products such as small commercial lines of credit, mortgages and installment loans. BOH also offers a merchant card program.

BOH's call report dated December 31, 2008 reflected total assets of \$63.9 million and total liabilities of \$57.6 million. According to the latest available comparative deposit data as of June 30, 2008, BOH had a 0.17% market share or \$54.6 million out of \$31.3 billion inside its market, ranking it 14th among 18 depository institutions in Erie County.

The following is a summary of the bank's lending portfolio, based on Schedule RC-C of the bank's December 31, 2005 to 2008 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
LOAN TYPE	12/31/2005		12/31/2006		12/31/2007		12/31/2008	
	\$	%	\$	%	\$	%	\$	%
1-4 Residential Loans	43,788	86.9%	32,060	66.8	32,180	67.6	30,815	65.7
Commercial Mortgage Loans	1,304	2.6%	12,030	25.0	11,717	24.6	10,520	22.4
Comm. & Industrial Loans	2,929	5.8%	1,632	3.4	1,473	3.1	1,823	3.9
Consumer Loans	2,082	4.1%	1,687	3.5	1,584	3.3	1,553	3.3
Construction Loans	306	0.6%	595	1.2	655	1.4	1,863	4.0
Multifamily Loans	-		-	-	-	-	328	0.7
Other Loans	-		22	0.0	10	0.0	16	0.0
Total Gross Loans	50,409	100.0	48,026	100.0	47,619	100.0	46,918	100.0

* In thousands.

As illustrated in the above chart, BOH is primarily a residential and commercial real estate lender. As of December 31, 2008, 88.1% of its loan portfolio was in these products, including almost 2/3 in residential real estate.

Supplementing the banking offices are two Automated-Teller-Machines ("ATMs"), one in each bank office. BOH has 4 off-site ATMs at remote locations within its assessment area. In addition, BOH's customers can use M&T Bank's ATM network without a surcharge. Neither the remote location ATMs nor the M&T ATM network accepts deposits.

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

Assessment Area:

The bank's assessment area consists of 19 census tracts in southeast Erie County, two census tracts in northeast Cattaraugus County and two census tracts in the southwestern part of Wyoming County. Of these 23 census tracts, none are low- or moderate-income.

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Erie	0	0	0	9	10	19	0
Cattaraugus	0	0	0	2	0	2	0
Wyoming	0	0	0	2	0	2	0
Total	0	0	0	13	10	23	0

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

Unemployment in Erie County is slightly higher than the state average for 2007 and 2008. In 2007, the average unemployment rate in Erie County was 4.8% compared to the overall state's rate of 4.5%. In 2008, the average unemployment rate in Erie County was 5.8% versus the state's rate of 5.4%.

In 2008, within the bank's assessment area, there were 6,891 businesses in Erie County, 505 businesses in Cattaraugus County and 635 businesses in Wyoming County. For all three counties, 1/3 of all businesses are service businesses.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The bank'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) Distribution by Borrower Characteristics (4) Geographic Distribution of Loans; and (5) Action Taken in Response to Written Complaints Regarding CRA. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the Board of Directors or Board of Trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Examiners considered HMDA-reportable, small business and consumer lending in evaluating factors (2), (3) and (4), as noted above. Of these three loan types, the most dollars are lent to small businesses. As there are no LMI census tracts in the assessment area, factor (4) was not rated. Small business loan aggregate data are shown for comparative purposes, BOH is not required to report this data and as such, BOH is not included in the aggregate data. BOH is a HMDA reporter.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by BOH, aggregate data for small businesses were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). The demographic data referred to in this report were derived from the U.S. Census 2000 data. Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. As BOH's farm lending was de minimus, where applicable and available, comparative data for small business non-farm data were used.

BOH 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 December 31, 2004.

CRA Rating: "Outstanding"

The assessment period included calendar years 2005 to 2008.

- **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities:**
"Outstanding"

BOH's LTD ratio is more than reasonable in light of its size, financial condition and the credit needs of the assessment area. The bank's average LTD ratio of 83% for the prior 16 quarters during this evaluation was above the peer group's average of 79%.

These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the FDIC. As shown in the table below, the bank's LTD ratios varied by quarter while the peer's remained relatively constant with a slight increase.

Loan- to -Deposit Ratios																	
	'05 (Q1)	'05 (Q2)	'05 (Q3)	'05 (Q4)	'06 (Q1)	'06 (Q2)	'06 (Q3)	'06 (Q4)	'07 (Q1)	'07 (Q2)	'07 (Q3)	'07 (Q4)	'08 (Q1)	'08 (Q2)	'08 (Q3)	'08 (Q4)	Avg. LTD
BOH	82	86	85	85	80	80	83	81	77	88	90	90	81	83	81	81	83
Peer	78	79	79	78	79	79	79	78	78	79	80	80	80	82	82	81	79

While BOH's average LTD over the course of four years was above the peer group, BOH's LTD in the four quarters of 2008, the most recent year of the assessment period, was almost identical to the peer group.

Community Development Loans/Qualified Investments: Community development loans and qualified investments can enhance a small institution's ability to meet community needs. As such, BOH enhanced the availability of credit with community development loans and qualified investments totaling \$25,000.

BOH made a commitment of \$25,000 to the New York Business Development Corporation. The New York Business Development Corporation is an entity that provides small business loans to both existing and start-up businesses.

- **Assessment Area Concentration: "Outstanding"**

The bank originated a substantial majority of its loans within the assessment area. For home mortgage, small business and consumer lending, considering both number of loans and dollars lent, BOH consistently lent more than 80% of its loans inside its assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2006	44	80.0	11	20.0	55	3,965	88.3	525	11.7	4,490
2007	43	89.6	5	10.4	48	3,141	90.8	317	9.2	3,458
2008	44	89.8	5	10.2	49	3,446	89.0	425	11.0	3,871
Subtotal	131	86.2	21	13.8	152	10,552	89.3	1,267	10.7	11,819
Small Business										
2006	69	81.2	16	18.8	85	7,384	89.3	882	10.7	8,266
2007	74	84.1	14	15.9	88	6,358	85.7	1,059	14.3	7,417
2008	65	81.3	15	18.8	80	6,548	84.3	1,218	15.7	7,766
Subtotal	208	82.2	45	17.8	253	20,290	86.5	3,159	13.5	23,449
Consumer										
2006	171	81.8	38	18.2	209	2,720	86.1	439	13.9	3,159
2007	191	79.6	49	20.4	240	4,026	88.4	530	11.6	4,556
2008	195	84.1	37	15.9	232	3,335	79.9	837	20.1	4,172
Subtotal	557	81.8	124	18.2	681	10,081	84.8	1,806	15.2	11,887

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

The distribution of loans based on borrower characteristics reflected an excellent penetration rate among individuals of different income levels and businesses of different sizes.

HMDA-reportable Loans

The bank’s HMDA-reportable lending distribution based on borrower characteristics reflected an excellent penetration rate among individuals of different income levels. BOH showed three years of consistent results in lending to LMI borrowers. In 2006 and 2007, BOH exceeded the aggregate’s penetration rate of lending to LMI borrowers for number and dollar of loans. In all three years, BOH exceeded the family demographics of the assessment area.

The following chart provides a summary of the bank's HMDA lending distribution during the evaluation period, including a comparison to the aggregate's record and the demographics of family income in the assessment area:

^Distribution of 1-4 HMDA Reportable Loans by Borrower Income Level									
2006									
Borrower Income	Bank				Aggregate				Fam. Demo.
	#	%	\$000	%	#	%	\$000	%	%
Low	4	10.3	182	4.9	113	4.2	5,821	1.8	10.8%
Moderate	7	17.9	526	14.3	486	17.9	37,686	11.8	16.2%
Middle	11	28.2	792	21.5	697	25.6	66,164	20.8	23.1%
Upper	17	43.6	2,191	59.4	1,336	49.1	195,845	61.5	49.9%
N/A	-	-	-	-	88	3.2	12,851	4	
Total	39	100	3,691	100	2,720	100	318,367	100	100.0%
2007									
Borrower Income	Bank				Aggregate				Fam. Demo.
	#	%	\$000	%	#	%	\$000	%	%
Low	3	8.1	142	4.8	116	4.7	6,806	2.1	10.8%
Moderate	8	21.6	572	19.3	421	17	34,683	10.9	16.2%
Middle	11	29.7	897	30.3	693	27.9	74,995	23.6	23.1%
Upper	15	40.5	1,354	45.7	1,193	48	191,388	60.2	49.9%
N/A	-	-	-	-	60	2.4	9,953	3.1	
Total	37	100	2,965	100	2,483	100	317,825	100	100.0%
2008									
Borrower Income	Bank				Aggregate				Fam. Demo.
	#	%	\$000	%	#	%	\$000	%	%
Low	1	2.8	35	1.2	Not Available				10.8%
Moderate	9	25.0	616	20.8					16.2%
Middle	11	30.6	956	32.2					23.1%
Upper	15	41.7	1,358	45.8					49.9%
Total	36	100	2,965	100					100.0%

^ Chart does not include multi-family lending, which is included in HMDA chart for income of geography.

BOH's LI borrower penetration rate was also excellent. In 2006 and 2007, BOH's record was generally double or triple the aggregate penetration rate for both number of loans and dollars lent.

Small Business Loans

The bank's small business lending distribution based on borrower characteristics reflected an excellent penetration among businesses of different sizes. For both 2006 and 2007, BOH exceeded the aggregate's penetration rate of lending to businesses with revenues of \$1 million or less, for both the number of loans and the total dollars lent. Although aggregate data is not available for comparison in 2008, BOH's record of lending in this category remains strong.

The following chart provides a summary of the bank's small business lending distribution during the evaluation period, including a comparison to the aggregate's record and the presence of businesses located in the assessment area:

Distribution of Small Business Loans by Revenues									
2006									
Revenues	Bank				Aggregate				Bus. Demo graphics
	#	%	\$000	%	#	%	\$000	%	%
< = \$1 MM	49	71	3,749	50.8	1,502	40.6	45,339	41.4	
> \$1 MM	20	29	3,635	49.2	2,194	59.4	64,248	58.6	
Total	69	100	7,384	100	3,696	100	109,587	100	
2007									
Revenues	Bank				Aggregate				
	#	%	\$000	%	#	%	\$000	%	%
< = \$1 MM	41	64.1	3,390	63.7	1,702	40.5	42,471	36.2	62.2
> \$1 MM	23	35.9	1,928	36.3	2,497	59.5	74,922	63.8	4.9
Total	64	100	5,318	100	4,199	100	117,393	100	
2008									
Revenues	Bank				Aggregate				
	#	%	\$000	%	#	%	\$000	%	%
< = \$1 MM	43	69.4	3,602	55.3	Not Available				61.1
> \$1 MM	19	30.6	2,908	44.7					4.8
Total	62	100	6,510	100					

In terms of number of loans, BOH's penetration rate of lending to businesses with less than \$1 million in revenue was at least 50% higher than the aggregate's for both 2006 and 2007. In terms of total dollars lent, while both years exceeded the aggregate's, in 2007, BOH's record was particularly excellent, exceeding the aggregate's record by 28 percentage points. BOH participated in the Small Business Administration (SBA) government-guaranteed loan program, originating 2 SBA loans in 2006 and 2007. BOH did not originate any SBA loans in 2008.

Consumer Loans

The bank's consumer lending distribution penetration rate based on borrower characteristics reflected an excellent penetration among households with various incomes. Despite household demographics that showed 28% of households in the assessment area to be LMI, the bank consistently achieved a penetration rate above 40% for number of loans.

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

the evaluation period, including a comparison to household demographics of the assessment area):

Distribution of Consumer Loans by Borrower Income Level					
2006					
Borrower Income	Bank				Household Demographics
	#	%	\$000	%	%
Low	45	26.3	168	6.2	14.1
Moderate	41	24	404	14.9	13.5
Middle	40	23.4	504	18.5	18.2
Upper	37	21.6	1,581	58.1	54.2
N/A	8	4.7	63	2.3	0
Total	171	100	2,720	100	100
2007					
Borrower Income	Bank				Household Demographics
	#	%	\$000	%	%
Low	31	16.2	174	4.3	14.1
Moderate	52	27.2	602	15	13.5
Middle	48	25.1	804	20	18.2
Upper	39	20.4	1,955	48.6	54.2
N/A	21	11	491	12.2	0
Total	191	100	4,026	100	100
2008					
Borrower Income	Bank				Household Demographics
	#	%	\$000	%	%
Low	65	33.3	386	11.6	14.1
Moderate	39	20	483	14.5	13.5
Middle	37	19	990	29.7	18.2
Upper	37	19	1,428	42.8	54.2
N/A	17	8.7	48	1.4	0
Total	195	100	3,335	100	100

- **Geographic Distribution of Loans: “Not Rated”**

The assessment area, although reasonable, does not contain any LMI geographies. Therefore, lending in LMI areas could not be evaluated. Charts are included for informational purposes only.

Small Business Loans

The following chart provides a summary of the bank's small business lending distribution during the evaluation period, including a comparison to the aggregate's record and the business demographics (businesses located in each geography income level):

Distribution of Small Business Loans by Geography Income Level									
2006									
Geography	Bank				Aggregate				Bus. Demographics
	#	%	\$000	%	#	%	\$000	%	%
Low		-		-		-		-	
Moderate		-		-		-		-	
Middle	50	72.5	4,753	64.4	1,773	48	55,626	50.8	50.5
Upper	19	27.5	2,631	35.6	1,923	52	53,961	49.2	49.5
Total	69	100	7,384	100	3,696	100	109,587	100	100.0
2007									
Geography	Bank				Aggregate				Bus. Demographics
	#	%	\$000	%	#	%	\$000	%	%
Low		-		-		-		-	
Moderate		-		-		-		-	
Middle	48	64.9	4,959	78	1,943	46.3	66,664	56.8	51.7
Upper	26	35.1	1,399	22	2,256	53.7	50,729	43.2	48.3
N/A	-	-	-	-	-	-	-	-	-
Total	74	100	6,358	100	4,199	100	117,393	100	100%
2008									
Geography	Bank				Aggregate				Bus. Demographics
	#	%	\$000	%	#	%	\$000	%	%
Low		-		-					%
Moderate		-		-					
Middle	44	67.7	4,656	71.1					51.9
Upper	21	32.3	1,892	28.9					48.1
N/A	-	-	-	-					
Total	65	100	6,548	100					100%

HMDA-reportable Loans

The following chart provides a summary of the bank's HMDA-related lending distribution during the evaluation period, including a comparison to the percentage of owner-occupied housing units (OO HU) in each geography income level:

Distribution of HMDA Reportable Loans by Geography Income Level									
2006									
Geography	Bank				Aggregate				OO HUs
	#	%	\$000	%	#	%	\$000	%	%
Low		-		-		-		-	-
Moderate		-		-		-		-	-
Middle	37	84.1	3,303	83.3	1,336	48.1	121,107	37	51.09
Upper	7	15.9	662	16.7	1,444	51.9	206,381	63	48.91
Total	44	100	3,965	100	2,780	100	327,488	100	100
2007									
Geography	Bank				Aggregate				OO HUs
	#	%	\$000	%	#	%	\$000	%	%
Low	-	-	-	-	-	-	-	-	-
Moderate	-	-	-	-	-	-	-	-	-
Middle	33	76.7	2,276	72.5	1,223	48.4	120,858	36.5	51.09
Upper	10	23.3	865	27.5	1,302	51.6	210,386	63.5	48.91
Total	43	100	3,141	100	2,525	100	331,244	100	100
2008									
Geography	Bank				Aggregate				OO HUs
	#	%	\$000	%	#	%	\$000	%	%
Low	-	-	-	-	Not Available				-
Moderate	-	-	-	-					-
Middle	39	88.6	3,164	91.8					51.09
Upper	5	11.4	282	8.2					48.91
Total	44	100	3,446	100					100

Consumer Loans

The following chart provides a summary of the bank's consumer-related lending distribution during the evaluation period, including a comparison to the household demographics (households living in each geography income level):

Distribution of Consumer Loans by Geography Income* Level*					
2006					
Geography	Bank				HH Demographics
	#	%	\$000	%	
Low		-		-	
Moderate		-		-	
Middle	154	90.1	2,164	79.6	52.3
Upper	17	9.9	556	20.4	47.7
N/A	-	-	-	-	
Total	171	100	2,720	100	100.0
2007					
Geography	Bank				HH Demographics
	#	%	\$000	%	
Low		-		-	
Moderate		-		-	
Middle	163	85.3	2,850	70.8	52.3
Upper	28	14.7	1,176	29.2	47.7
N/A	-	-	-	-	
Total	191	100	4,026	100	100.0
2008					
Geography	Bank				HH Demographics
	#	%	\$000	%	
Low		-		-	
Moderate		-		-	
Middle	163	83.6	2,847	85.4	52.3
Upper	32	16.4	488	14.6	47.7
N/A	-	-	-	-	
Total	195	100	3,335	100	100.0

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

Since the latest CRA evaluation on December 31, 2004, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Additional factors:**

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 board of directors annually reviews and approves the CRA Policy. Concerns regarding CRA guidelines are discussed in monthly board meetings.

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 indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

The banking institution's record of opening and closing offices and providing services at offices

No branches were opened or closed during the assessment period.

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.

The branch manager at East Aurora is actively involved in the community as a board member serving as the assistant treasurer of the town's Chamber of Commerce. He is also a member of the Chamber's Finance Committee and Executive Committee.

- 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 places numerous advertisements for various products and general ads for name recognition mostly in local Pennysaver and small town local newspapers. It also helps sponsor events by putting an advertisement for the bank in high school yearbooks, Lions Club events, playbills, and trade show posters. It also advertizes on several local radio stations.

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.

None.

GLOSSARY

Aggregate Penetration Rate

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

Community Development

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:

- 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;

- ❖ 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.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the 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

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 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

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 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 in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.