



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2014

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.

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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 Department of Financial Services (“DFS” or the “Department”). The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of June 30, 2014.

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 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 the 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 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 (“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

DFS evaluated the Bank of Holland ("BOH") according to the small bank performance criteria pursuant to Parts 76.7 and 76.12 of the General Regulations of the Superintendent ("GRS"). The assessment period included calendar years 2009, 2010, 2011, 2012, 2013 and the first six months of 2014. DFS assigns BOH a CRA rating of "2," indicating an "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

The Lending Test: "Satisfactory"

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

BOH's 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 75.1% for the evaluation period exceeded its peer group ratio of 71.8%. However, BOH's average LTD ratio declined by nearly 10% from the 83% reported at the prior evaluation. As a result, the rating of this criterion was downgraded to satisfactory.

Assessment Area Concentration: "Satisfactory"

During the evaluation period BOH originated 82.1% by number and 82.8% by dollar value of its total HMDA-reportable, small business and consumer loans within its assessment area. This majority of lending inside of its assessment area was a reasonable record of lending. DFS downgraded this criterion from outstanding to satisfactory due to the significant decline in the percent of HMDA-reportable lending within the assessment area as noted below.

BOH originated 73.3% by number and 76.8% by dollar value of its HMDA-reportable loans within its assessment area during the current evaluation period. While this majority of lending inside the assessment area was a reasonable record of lending, it was a significant decline from the prior evaluation period's 86.2% by number and 89.2% by dollar value of HMDA-reportable loans originated in the assessment area.

Distribution by Borrower Characteristics: "Outstanding"

The distribution of loans based on borrower characteristics demonstrated an excellent rate of lending to individuals of different income levels and small businesses of different revenue sizes. BOH's HMDA-reportable rate of lending to LMI borrowers consistently exceeded the rate of the aggregate.

Geographic Distribution of Loans: “Not Rated”

BOH’s originations of loans in census tracts of varying income levels was not evaluated as the assessment area contains no low- or moderate-income census tracts.

Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor BOH received any CRA related complaints 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 located in Holland, New York. BOH chartered in 1893, is a wholly-owned subsidiary of Holland Bancorp, Inc.

BOH offers traditional deposit products including checking, savings, health savings and certificate of deposit accounts. BOH's loan products include consumer, residential mortgage, construction, commercial mortgage and commercial installment loans.

Per the Consolidated Report of Condition ("Call Report") as of June 30, 2014, filed with the Federal Deposit Insurance Corporation ("FDIC"), BOH reported total assets of \$92.4 million, of which \$59.5 million were net loans and lease finance receivables. It also reported total deposits of \$84.3 million, resulting in a loan-to-deposit ratio of 70.6%. According to the latest available comparative deposit data as of June 30, 2014 BOH had a market share of 0.24% or \$84.3 million in a market of \$35.6 billion, ranking it 15th among 20 deposit-taking institutions in the assessment area.

The following is a summary of BOH's loan portfolio, based on Schedule RC-C of the bank's December 31, 2009, 2010, 2011, 2012 and 2013 and its June 30, 2014 Call Reports:

TOTAL GROSS LOANS OUTSTANDING												
Loan Type	2009		2010		2011		2012		2013		2014(June)	
	\$000's	%										
1-4 Family Residential Mortgag	31,204	64.6	32,815	67.2	36,089	68.0	40,495	71.5	44,474	72.4	45,076	74.6
Commercial & Industrial	2,023	4.2	1,904	3.9	1,090	2.1	1,119	2.0	1,045	1.7	1,007	1.7
Commercial Mortgage	11,619	24.0	10,617	21.7	11,237	21.2	11,020	19.5	11,361	18.5	10,692	17.7
Multifamily Mortgages	334	0.7	314	0.6	365	0.7	519	0.9	507	0.8	579	1.0
Consumer	1,807	3.7	1,579	3.2	2,022	3.8	1,960	3.5	2,044	3.3	1,899	3.1
Agricultural	556	1.2	566	1.2	466	0.9	464	0.8	373	0.6	419	0.7
Construction	774	1.6	1,059	2.2	1,804	3.4	1,075	1.9	1,657	2.7	714	1.2
Total Gross Loans	48,317	100.0	48,854	100.0	53,073	100.0	56,652	100.0	61,461	100.0	60,386	100.0

As illustrated in the above table, BOH is primarily a residential real estate lender, with 74.6% of its loan portfolio in residential real estate.

BOH operates two branch offices both located in upper-income census tracts in Erie County. Both offices are open Monday through Thursday until 4:00 pm, Fridays until 6:00 pm and Saturdays until noon. Each branch has an automated teller machine ("ATM") that accepts deposits and is available 24 hours a day, seven days a week. BOH also operates two off-site ATMs located at two local markets and available during business hours. Neither of these off-site ATMs accepts deposits. One of these ATMs is in an upper-income census tract and the other is in a middle-income tract. In addition,

BOH customers have surcharge free access to ATMs operated by M&T bank.
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

BOH's assessment area is comprised of parts of Cattaraugus, Erie and Wyoming counties. There are 23 census tracts in the assessment area, of which 10 are middle-income and 13 are upper-income tracts. The assessment area contains no low- or moderate-income tracts.

Assessment Area Census Tracts by Income Level								
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Cattaraugus*				2		2	0.0	0%
Erie*				7	12	19	0.0	0%
Wyoming*				1	1	2	0.0	0%
Total	0	0	0	10	13	23	0.0	0%

*Partial County

Demographic & Economic Data¹

The assessment area had a population of 102,854 in 2014. Approximately 15.7% of the population were over the age of 65, and 19.7% were under the age of sixteen.

Of the 28,645 families in the assessment area 12.6% were low-income, 13.7% were moderate-income, 21.1% were middle-income, and 52.6% were upper-income families. There were 40,629 households in the assessment area, of which 6.3% had income below the poverty level, and 1.2% were on public assistance.

The weighted average median family income in the assessment area was \$79,123.

There were 43,389 housing units within the assessment area, of which 88.2% were one- to-four family units, and 6.5% were multifamily units. A majority (76.3%) of the area's housing units were owner-occupied, while 17.4% were rental units. Of the 33,088 owner-occupied housing units, 37.6% were in middle-income census tracts while 62.4% were in upper-income census tracts. The median age of the housing stock was 49 years and the median home value in the assessment area was \$161,221.

¹ Demographic data included only census tracts from Erie, Cattaraugus and Wyoming counties that BOH included in its assessment area.

There were 7,495 non-farm businesses in the assessment area. Of these, 73.3% were businesses with reported revenues of \$1 million or less, 5.4% reported revenues of more than \$1 million and 21.3% did not report revenues. Of all the businesses in the assessment area, 83.5% were businesses with less than fifty employees, and 91.7% operated from a single location. The largest industries in the area were services (43.5%), followed by retail trade (12.6%) and construction (9.2%), while 10.8% of the businesses were not classified.

According to the New York State Department of Labor, the unemployment rates for New York State and Erie, Wyoming and Cattaraugus counties fluctuated from 2009 through 2012, and eased lower in 2013. The unemployment rates for Cattaraugus and Wyoming counties were consistently higher than the unemployment rates for New York State during the evaluation period, while Erie County's rate was consistently lower.

The following table provides the average unemployment rates during the evaluation period for New York State and the three counties in BOH's assessment area.

Assessment Area Unemployment Rate				
	Statewide	Cattaraugus	Erie	Wyoming
2009	8.3%	8.7%	8.2%	9.1%
2010	8.6%	9.1%	8.3%	9.3%
2011	8.2%	8.8%	7.9%	8.5%
2012	8.5%	8.8%	8.2%	8.6%
2013	7.7%	8.1%	7.4%	7.8%
Average	8.3%	8.7%	8.0%	8.7%

Community Information

Examiners as a part of the evaluation met with the executive director of a private nonprofit organization to gain insight into the banking and credit needs of BOH's assessment area. The organization assists people to attain affordable and safe housing in Cattaraugus County, southern Erie County and southwestern Wyoming County. It receives its funding from HUD, New York State, foundations, grants and fundraising. The organization also partners with other nonprofits, local towns, villages and cities to provide home-buyer education, loans and grants to businesses as well as loans to building owners to create affordable housing.

The contact noted that the community is in a period of transition, as the area recently lost many of its manufacturing jobs. Food banks and homeless shelters in the community are having a difficult time meeting the needs of the community.

The interviewee noted that banks offer traditional banking services and products, but there is also the need for post-home-buyer education, especially for first-time homebuyers to ensure the house is properly maintained and remains in good condition. The contact also noted that banks should play a more proactive role and offer special programs for homeowners who having difficulty paying their loans. Such programs could include the establishment by banks of reserves and working with local municipalities and land banks to provide relief.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated BOH under the small bank performance standards in accordance with Parts 76.7 and 76.12 of the GRS, consisting of the lending test, which includes:

- 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 BOH'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. Any 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 to meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. BOH provided 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 calculated loan-to-deposit ratios from information shown in the bank's Uniform Bank Performance Report as submitted to the FDIC.

DFS derived demographic data referred to in this report from the 2000 and 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 were only available on a county-wide basis, and DFS used this information even where the institution's assessment area included partial counties.

The assessment period included calendar years 2009, 2010, 2011, 2012, 2013 and the first six months of 2014 (ending June 30, 2014).

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

At its **prior** Performance Evaluation, as of December 31, 2008, DFS assigned BOH a rating of “1,” reflecting an “Outstanding” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

BOH’s HMDA-reportable, small business, and consumer lending activities were reasonable in light of aggregate and peer group activity and the demographic characteristics and credit needs of the assessment area.

Loan-to-Deposit Ratio and other Lending-Related Activities: “Satisfactory”

BOH’s average loan-to-deposit (“LTD”) ratio was reasonable considering BOH’s size, business strategy, financial condition, as well as the lending activity of its peer group.

While BOH’s average LTD ratio of 75.1% for the evaluation period exceeded its peer group ratio of 71.8%, BOH’s ratio declined nearly 10% from the 83% average ratio the bank maintained during the prior evaluation. As a result, DFS downgraded BOH’s rating for this criterion from outstanding to satisfactory.

The table below shows BOH’s LTD ratios in comparison with the peer group’s ratios for the 22 quarters since the prior evaluation.

Loan-to-Deposit Ratios																
	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4
Bank	74.0	77.1	79.9	80.6	77.4	78.4	76.2	79.4	75.4	76.1	79.6	80.8	74.2	71.0	73.0	73.3
Peer	79.1	78.9	78.2	76.1	75.3	74.4	73.9	71.8	71.5	71.5	70.8	70.2	68.7	69.7	69.4	69.3

Loan-to-Deposit Ratios										
2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	Avg
74.2	71.0	73.0	73.3	69.4	71.3	71.1	74.4	70.0	70.6	75.1
68.7	69.7	69.4	69.3	67.7	68.8	69.5	69.0	67.2	68.6	71.8

Assessment Area Concentration: “Satisfactory”

During the evaluation period, BOH originated 82.1% by number and 82.8% by dollar value of its total HMDA-reportable, small business and consumer loans within its assessment area. This majority of lending inside of its assessment area was a reasonable record of lending. DFS downgraded this criterion from outstanding to

satisfactory due to the significant decline in the percent of HMDA-reportable lending within the assessment area as noted below.

HMDA-Reportable Loans:

During the evaluation period, BOH originated 73.3% by number and 76.8% by dollar value of its HMDA-reportable loans within its assessment area. While this majority of lending inside the assessment area was a reasonable record of lending, it was a significant decline from the prior evaluation period's 86.2% by number and 89.2% by dollar value of HMDA-reportable loans originated in the assessment area. Furthermore, HMDA-reportable loans accounted for 40.7% by dollar value of all loans originated in the assessment area, while during the prior evaluation period HMDA-reportable lending accounted for 25.8%.

Small Business Loans:

During the evaluation period, BOH originated 87.0% by number and 89.4% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside the assessment area was an excellent record of lending.

Consumer Loans:

During the evaluation period, BOH originated 85.2% by number and 85.8% by dollar value of its consumer loans within the assessment area. This substantial majority of lending inside the assessment area was an excellent record of lending.

The following table shows the percentages of the BOH's HMDA-reportable, small business and consumer loans originated inside and outside of the BOH's 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										
2009	57	87.7%	8	12.3%	65	3,984	87.7%	558	12.3%	4,542
2010	44	77.2%	13	22.8%	57	3,923	79.1%	1,039	20.9%	4,962
2011	71	74.7%	24	25.3%	95	5,413	79.4%	1,405	20.6%	6,818
2012	90	69.8%	39	30.2%	129	7,805	73.5%	2,811	26.5%	10,616
2013	94	69.6%	41	30.4%	135	7,948	74.9%	2,668	25.1%	10,616
2014	31	66.0%	16	34.0%	47	3,093	71.0%	1,261	29.0%	4,354
Subtotal	387	73.3%	141	26.7%	528	32,166	76.8%	9,742	23.2%	41,908
Small Business										
2009	42	87.5%	6	12.5%	48	5,142	85.0%	904	15.0%	6,046
2010	34	81.0%	8	19.0%	42	3,298	90.5%	345	9.5%	3,643
2011	38	84.4%	7	15.6%	45	4,695	85.9%	771	14.1%	5,466
2012	35	85.4%	6	14.6%	41	3,592	90.0%	399	10.0%	3,991
2013	39	95.1%	2	4.9%	41	3,953	98.1%	75	1.9%	4,028
2014	12	92.3%	1	7.7%	13	1,044	93.7%	70	6.3%	1,114
Subtotal	200	87.0%	30	13.0%	230	21,724	89.4%	2,564	10.6%	24,288
Consumer										
2009	193	83.5%	38	16.5%	231	5,795	91.2%	558	8.8%	6,353
2010	153	90.5%	16	9.5%	169	3,982	85.4%	679	14.6%	4,661
2011	183	80.3%	45	19.7%	228	5,050	83.3%	1,016	16.7%	6,066
2012	162	84.4%	30	15.6%	192	3,594	78.7%	974	21.3%	4,568
2013	174	85.7%	29	14.3%	203	4,482	85.5%	761	14.5%	5,243
2014	106	90.6%	11	9.4%	117	2,146	93.0%	161	7.0%	2,307
Subtotal	971	85.2%	169	14.8%	1,140	25,049	85.8%	4,149	14.2%	29,198
Grand Total	1,558	82.1%	340	17.9%	1,898	78,939	82.8%	16,455	17.2%	95,394

Distribution by Borrower Characteristics: "Outstanding"

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

HMDA-Reportable Loans:

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

BOH's rate of lending to LMI individuals exceeded the aggregate's rate for every year of the evaluation period (aggregate data was not available for 2014). BOH's rate of lending to LMI individuals also exceeded the family demographics for LMI geographies every year except 2010 and 2011.

The following table provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2009									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	17.4%	300	8.6%	104	4.3%	6,733	1.8%	10.8%
Moderate	15	32.6%	1,092	31.2%	404	16.7%	40,639	11.1%	16.2%
LMI	23	50.0%	1,392	39.7%	508	21.1%	47,372	12.9%	27.0%
Middle	17	37.0%	1,480	42.2%	628	26.0%	82,289	22.4%	23.1%
Upper	6	13.0%	631	18.0%	1,145	47.5%	217,563	59.2%	49.9%
Unknown	0	0.0%	0	0.0%	131	5.4%	20,419	5.6%	
Total	46		3,503		2,412		367,643		
2010									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	13.9%	176	5.0%	85	4.1%	5,477	1.8%	10.8%
Moderate	10	27.8%	540	15.3%	340	16.4%	32,245	10.4%	16.2%
LMI	15	41.7%	716	20.3%	425	20.6%	37,722	12.1%	27.0%
Middle	10	27.8%	1,265	35.9%	547	26.5%	67,703	21.7%	23.1%
Upper	11	30.6%	1,546	43.8%	1,029	49.8%	195,424	62.8%	49.9%
Unknown	0	0.0%	0	0.0%	67	3.2%	10,521	3.4%	
Total	36		3,527		2,068		311,370		
2011									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	9.6%	251	5.7%	98	4.7%	6,531	2.1%	10.8%
Moderate	13	25.0%	759	17.1%	364	17.4%	34,008	11.0%	16.2%
LMI	18	34.6%	1,010	22.8%	462	22.0%	40,539	13.1%	27.0%
Middle	13	25.0%	1,266	28.6%	538	25.7%	68,203	22.0%	23.1%
Upper	21	40.4%	2,156	48.6%	1,010	48.2%	186,551	60.2%	49.9%
Unknown	0	0.0%	0	0.0%	87	4.1%	14,827	4.8%	
Total	52		4,432		2,097		310,120		
2012									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	10.1%	255	3.8%	114	4.8%	7,383	2.1%	12.6%
Moderate	18	26.1%	1,568	23.4%	358	14.9%	34,178	9.5%	13.7%
LMI	25	36.2%	1,823	27.2%	472	19.7%	41,561	11.6%	26.3%
Middle	17	24.6%	1,922	28.7%	676	28.2%	84,633	23.6%	21.1%
Upper	27	39.1%	2,945	44.0%	1,131	47.1%	213,333	59.4%	52.6%
Unknown	0	0.0%	0	0.0%	120	5.0%	19,475	5.4%	
Total	69		6,690		2,399		359,002		
2013									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	10.6%	415	6.3%	90	3.9%	5,266	1.5%	12.6%
Moderate	21	31.8%	1,963	29.7%	353	15.2%	33,265	9.3%	13.7%
LMI	28	42.4%	2,378	36.0%	443	19.1%	38,531	10.7%	26.3%
Middle	16	24.2%	1,550	23.4%	591	25.4%	72,682	20.2%	21.1%
Upper	21	31.8%	2,639	39.9%	1,175	50.5%	225,391	62.8%	52.6%
Unknown	1	1.5%	47	0.7%	116	5.0%	22,445	6.3%	
Total	66		6,614		2,325		359,049		
2014									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%					
Moderate	10	37.0%	977	34.6%					
LMI	10	37.0%	977	34.6%					0.0%
Middle	8	29.6%	983	34.8%					
Upper	8	29.6%	820	29.1%					
Unknown	1	3.7%	42	1.5%					
Total	27		2,822						INPUT ERROR
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	32	10.8%	1,397	5.1%			4.5%		1.9%
Moderate	87	29.4%	6,899	25.0%			16.3%		10.5%
LMI	119	40.2%	8,296	30.1%			20.8%		12.4%
Middle	81	27.4%	8,466	30.7%			26.6%		22.5%
Upper	94	31.8%	10,737	38.9%			48.1%		60.3%
Unknown	2	0.7%	89	0.3%			4.5%		4.8%
Total	296		27,588						

Small Business Loans:

BOH's small business lending based on the revenue size of the business demonstrated a reasonable distribution of loans among businesses of different revenue sizes.

BOH's rate of lending to businesses with revenues of \$1 million or less exceeded the aggregate's rate by number of loans for every year (aggregate data was not available for 2014) of the evaluation period and by dollar value of loans every year except 2013. Still, BOH's rate of lending to businesses with revenues of \$1 million or less trailed the assessment area's business demographics, which indicated that approximately 70% of the businesses in the area had revenues of \$1 million or less.

The following table provides a summary of BOH's small business lending distribution based on the revenue size of the business during the evaluation period.

Distribution of Small Business Lending by Revenue Size of Business										
2009										
Rev. Size	Bank				Aggregate				Bus.Dem.	
	#	%	\$000's	%	#	%	\$000's	%		
Rev. <= \$1MM	27	64.3%	1,973	38.4%	567	35.7%	22,974	32.9%	78.1%	
Rev. > \$1MM	9	21.4%	1,624	31.6%					4.7%	
Rev. Unknown	6	14.3%	1,545	30.0%					17.2%	
Total	42		5,142		1,587		69,854			
2010										
Rev. Size	Bank				Aggregate				Bus.Dem.	
	#	%	\$000's	%	#	%	\$000's	%		
Rev. <= \$1MM	19	55.9%	1,285	39.0%	504	35.7%	18,786	26.5%	78.9%	
Rev. > \$1MM	11	32.4%	1,529	46.4%					4.7%	
Rev. Unknown	4	11.8%	484	14.7%					16.4%	
Total	34		3,298		1,412		70,907			
2011										
Rev. Size	Bank				Aggregate				Bus.Dem.	
	#	%	\$000's	%	#	%	\$000's	%		
Rev. <= \$1MM	26	68.4%	2,892	61.6%	896	49.1%	35,705	40.9%	69.3%	
Rev. > \$1MM	9	23.7%	1,643	35.0%					3.5%	
Rev. Unknown	3	7.9%	160	3.4%					27.2%	
Total	38		4,695		1,826		87,278			
2012										
Rev. Size	Bank				Aggregate				Bus.Dem.	
	#	%	\$000's	%	#	%	\$000's	%		
Rev. <= \$1MM	23	65.7%	1,703	47.4%	866	47.5%	31,686	40.6%	73.0%	
Rev. > \$1MM	12	34.3%	1,889	52.6%					4.4%	
Rev. Unknown	0	0.0%	0	0.0%					22.6%	
Total	35		3,592		1,824		78,132			
2013										
Rev. Size	Bank				Aggregate				Bus.Dem.	
	#	%	\$000's	%	#	%	\$000's	%		
Rev. <= \$1MM	25	64.1%	1,322	33.4%	852	53.1%	31,919	45.2%	73.6%	
Rev. > \$1MM	10	25.6%	2,475	62.6%					4.9%	
Rev. Unknown	4	10.3%	156	3.9%					21.4%	
Total	39		3,953		1,606		70,600			
2014										
Rev. Size	Bank				Aggregate				Bus.Dem.	
	#	%	\$000's	%	#	%	\$000's	%		
Rev. <= \$1MM	10	83.3%	662	63.4%					73.3%	
Rev. > \$1MM	2	16.7%	382	36.6%					5.4%	
Rev. Unknown	0	0.0%	0	0.0%					21.3%	
Total	12		1,044							
GRAND TOTAL										
Rev. Size	Bank				Aggregate				Bus.Dem.	
	#	%	\$000's	%	#	%	\$000's	%		
Rev. <= \$1MM	130	65.0%	9,837	45.3%			44.6%	37.4%		
Rev. > \$1MM	53	26.5%	9,542	43.9%						
Rev. Unknown	17	8.5%	2,345	10.8%						
Total	200		21,724							

Consumer Loans:

BOH's consumer lending demonstrated an excellent distribution of loans among borrowers of different income levels.

BOH's rate of lending to LMI borrowers by number of loans exceeded the LMI household demographics every year of the evaluation period while its rate of lending by dollar value exceeded the demographics in 2011, 2012 and 2013.

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

Distribution of Consumer Lending by Borrower Income					
2009					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	42	21.8%	325	5.6%	14.1%
Moderate	31	16.1%	567	9.8%	13.5%
LMI	73	37.8%	892	15.4%	27.6%
Middle	54	28.0%	1,849	31.9%	18.3%
Upper	54	28.0%	2,944	50.8%	54.2%
Unknown	12	6.2%	110	1.9%	
Total	193		5,795		
2010					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	33	21.6%	189	4.7%	14.1%
Moderate	39	25.5%	414	10.4%	13.5%
LMI	72	47.1%	603	15.1%	27.6%
Middle	39	25.5%	950	23.9%	18.3%
Upper	40	26.1%	2,386	59.9%	54.2%
Unknown	2	1.3%	43	1.1%	
Total	153		3,982		
2011					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	50	27.3%	442	8.8%	14.1%
Moderate	46	25.1%	1,172	23.2%	13.5%
LMI	96	52.5%	1,614	32.0%	27.6%
Middle	39	21.3%	1,536	30.4%	18.3%
Upper	47	25.7%	1,656	32.8%	54.2%
Unknown	1	0.5%	244	4.8%	
Total	183		5,050		
2012					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	41	25.3%	439	12.2%	15.8%
Moderate	42	25.9%	910	25.3%	12.3%
LMI	83	51.2%	1,349	37.5%	28.1%
Middle	48	29.6%	984	27.4%	16.7%
Upper	29	17.9%	1,207	33.6%	55.2%
Unknown	2	1.2%	54	1.5%	
Total	162		3,594		
2013					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	28	16.1%	257	5.7%	15.8%
Moderate	54	31.0%	1,031	23.0%	12.3%
LMI	82	47.1%	1,288	28.7%	28.1%
Middle	47	27.0%	1,023	22.8%	16.7%
Upper	43	24.7%	2,152	48.0%	55.2%
Unknown	2	1.1%	19	0.4%	
Total	174		4,482		
2014					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	17	16.0%	114	5.3%	15.8%
Moderate	26	24.5%	294	13.7%	12.3%
LMI	43	40.6%	408	19.0%	28.1%
Middle	31	29.2%	604	28.1%	16.7%
Upper	32	30.2%	1,134	52.8%	55.2%
Unknown	0	0.0%	0.00	0.0%	
Total	106		2,146		
GRAND TOTAL					
Borrower Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	211	21.7%	1,252	8.2%	
Moderate	238	24.5%	3,407	22.3%	
LMI	449	46.2%	4,659	30.5%	
Middle	258	26.6%	4,147	27.2%	
Upper	245	25.2%	6,149	40.3%	
Unknown	19	2.0%	317	2.1%	
Total	971		15,272		

Geographic Distribution of Loans: “Not Rated”

BOH's originations of loans in census tracts of varying income levels was not evaluated as the assessment area contains no low- or moderate-income census tracts.

Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor BOH received any CRA related complaints during the evaluation period.

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

The board of directors approves the bank’s CRA policy annually; most recently on June 10, 2014. CRA activities are discussed at each board meeting and include loans approved in and outside of the assessment area. In addition, periodically the board reviews and discusses the assessment area to ensure it is appropriate.

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 that were intended to discourage applications for the types of credit offered.

Evidence of prohibited discriminatory or other illegal credit practices:

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

Record of opening and closing offices and providing services at offices:

BOH operates two branch offices both located in upper-income census tracts in Erie County. Both branches offer late hours on Fridays (6:00pm) and are open on Saturdays till noon. Both branches have deposit taking ATMs accessible 24 hours a day.

BOH did not open or close any branch offices during this evaluation period. However, it closed two off-site non-deposit taking ATMs. One located at Colden Lakes Resorts (a campground) in July 2009 and the other at Holland Willows (a restaurant/banquet hall)

in March 2012. BOH still operates two other offsite non-deposit taking ATMs. One located at Hogan's Food Market in Java Village, Wyoming County and the other at the Save-A-Lot store in Yorkshire, Cattaraugus County. These ATMs are available during the stores' regular business hours. Hogan's Food Market is in an upper-income census tract and the Save-A-Lot store is in a middle-income census tract.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
*Erie	0	0	0	0	2	2	0%
Total	-	-	-	-	2	2	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:

Board of directors and management of BOH, through their membership, make regular contacts with various civic groups such as the Chamber of Commerce, Kiwanis, local fire departments and governments. BOH participates in fundraising activities, picnics, dinners, luncheons, sporting events, etc. organized by these institutions. Management and directors use these forums to discuss the credit needs of the community and compare them to the credit services offered by BOH.

- 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:

BOH advertises its services to the community in several local newspapers such as the *Arcade Herald* and the *East Aurora Penny Saver*. In addition, the bank publishes a newsletter periodically, which is freely available in the lobby of the bank building and the customer service area of the branch offices. Also, BOH management conducts tours of the bank premises for school children when they are on field trips.

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:

BOH's mission is to provide financial services and promote economic growth and stability to its community and assessment area. In addition, to being active in the community, BOH, to achieve its mission, utilizes its website, radio and print media to advertise its services and products.

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

“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 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 of \$1 million or less.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 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 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 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.

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.