



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF BANK OF HOLLAND

AS OF DECEMBER 31, 2022

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

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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BANK OF HOLLAND – CRA PERFORMANCE EVALUATION

I - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Bank of Holland (“BOH” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This Evaluation represents the Department’s current assessment and rating of the Bank’s CRA performance based on an evaluation conducted as of December 31, 2022.

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

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

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

Section 76.5 further requires that the CRA rating and the 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 end of this Evaluation.

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II - OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated BOH according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2019, 2020, 2021 and 2022 for lending activities. The Department assigned BOH a rating of “2” indicating a “Satisfactory” record of helping to meet community credit needs.

The rating is based on the following factors:

A. Lending Test: Satisfactory

1. 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 69% for the evaluation period was just below the peer's average LTD ratio of 72.3%. The Bank's lower average LTD ratio is in part due to its higher level of municipal deposits when compared to its peer group deposits primarily for years 2019 and 2020.

2. Assessment Area Concentration: Satisfactory

During the evaluation period, BOH originated 80.6% by number and 74.1% by dollar value of its total HMDA-reportable, small business and consumer loans within the assessment area, demonstrating a reasonable concentration of lending.

3. Distribution by Borrower Characteristics: Satisfactory

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

4. Geographic Distribution of Loans: Satisfactory

BOH's combined origination of HMDA-reportable, small business and consumer loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

DFS' analysis of this criterion focused solely on the Bank's lending performance in 2022, the year the Bank expanded its assessment area resulting in the number of moderate-income census tracts increasing from one to 11. The Bank's assessment area contains no low-income census tracts and contained only one moderate-income tract in the prior years of the evaluation period with limited lending by the Bank and the aggregate.

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

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

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

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III - PERFORMANCE CONTEXT

A. Institution Profile

BOH is a New York State chartered commercial bank, founded in 1893 and located in the Town of Holland, New York.

BOH operates three banking offices, all of which are in Erie County. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of three deposit taking machines, one at each branch office location. Two of the branches are in middle income census tracts and one branch is in an upper income census tract.

BOH offers traditional personal and business deposit and lending products. In addition, the Bank also offers personal and business services including, but not limited to, online banking, mobile banking, electronic statements, and debit cards.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2022, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOH reported total assets of \$205.6 million, of which \$141.9 million were net loans and lease financing receivables. It also reported total deposits of \$191.8 million resulting in an LTD ratio of 74%. According to the latest available comparative deposit data as of June 30, 2022, BOH obtained a market share of 0.29%, or \$190.3 million in a market of \$64.6 billion, ranking it 15th among 20 deposit-taking institutions in Cattaraugus, Erie, and Wyoming Counties.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2019, 2020, 2021 and 2022 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2019		12/31/2020		12/31/2021		12/31/2022	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	66,504	67.6	74507.0	75.8	88,482	73.3	104,030	72.5
Commercial & Industrial Loans	4,027	4.1	6009.0	6.1	5,049	4.2	4,881	3.4
Commercial Mortgage Loans	18,764	19.1	14654.0	14.9	15,387	12.7	20,640	14.4
Multifamily Mortgages	1,001	1.0	1026.0	1.0	979	0.8	3,395	2.4
Consumer Loans	2,854	2.9	3003.0	3.1	3,432	2.8	3,526	2.5
Agricultural Loans	701	0.7	920.0	0.9	1,306	1.1	0	0.0
Construction Loans	4,422	4.5	4938.0	5.0	6,072	5.0	6,924	4.8
Other Loans	45	0.0	68.0	0.1	42	0.0	20	0.0
Total Gross Loans	98,318		105,125		120,749		143,416	

As illustrated in the above table, BOH is primarily a residential real estate lender, with 72.5% of its gross loan portfolio in 1-4 family residential real estate mortgage loans.

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.

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B. Assessment Area

BOH’s assessment area consist of parts of Erie, Wyoming, and Cattaraugus counties. In July of 2022 the Bank expanded its assessment area to 79 census tracts. Prior to July 2022 the assessment area contained 45 census tracts. The assessment was expanded to include all census tracts of the Towns of Cheektowaga, West Seneca, and Alden. The Bank removed two census tracts that comprised the Town of Hamburg from its assessment area.

There are 79 census tracts in the Bank’s assessment area, of which none are low-income, 11 are moderate-income, 48 are middle-income, 19 are upper-income, and one tract has no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Cattaraugus*	0	0	1	2	0	3	33.3
Erie*	1	0	10	42	19	72	13.9
Wyoming*	0	0	0	4	0	4	0.0
Total	1	0	11	48	19	79	13.9

* Partial county

C. Demographic & Economic Data

The assessment area had a population of 304,349 during the evaluation period. Approximately 19.8% of the population was over the age of 65 and 18% was under the age of 16.

Of the 80,322 families in the assessment area, 16.9% were low-income, 17.2% were moderate-income, 22.7% were middle-income and 43.2% were upper-income. There were 129,199 households in the assessment area, of which 7.7% had income below the poverty level and 1.9% were on public assistance. The weighted average median family income in the assessment area was \$88,830.

There were 136,847 housing units within the assessment area, of which 87.5% were one- to four-family units and 9.2% were multifamily units. A majority (71.5%) of the housing units were owner-occupied, 22.9% were rental-occupied units and 5.6% of housing units were vacant.

Of the 97,885 owner-occupied housing units, 9.3% were in moderate-income census tracts while 90.7% were in middle- and upper-income census tracts. The weighted median age of the housing stock was 56 years, and the weighted median home value in the assessment area was \$168,854.

There were 23,624 non-farm businesses in the assessment area. Of these, 84.5% were businesses with reported revenues of less than or equal to \$1 million, 5% reported revenues of more than \$1 million and 10.5% did not report their revenues. Of all the businesses in the assessment area, 96.7% were businesses with less than fifty employees while 89.9% operated from a single location. The largest industries in the area were Services (36.6%), Retail Trade (12.8%) and Construction (7.7%); 18.5% of businesses in the assessment area were not classified.

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According to the New York State Department of Labor data, the unemployment rate for New York Statewide and the three counties in the Bank’s assessment area significantly increased from 2019 to 2020. This increase can be attributed primarily to the onset of the COVID-19 pandemic in early 2020 which began affecting unemployment rates. However, by 2022, the unemployment rates had recovered and were close to or better than pre-pandemic levels. The average unemployment rate for each of the three counties for the evaluation period was below the statewide average unemployment rate.

Assessment Area Unemployment Rate				
	Statewide	Cattaraugus	Erie	Wyoming
2019	3.9	4.8	4.1	4.2
2020	9.8	9.1	9.1	7.2
2021	7	5.3	5.4	4.5
2022	4.3	4	3.6	3.5
Average	6.3	5.8	5.6	4.9

D. Community Information

As part of the CRA evaluation, DFS examiners conducted two community contact interviews with representatives from non-profit organizations that operate within the Bank’s assessment area. The first interview was held with a representative from a nonprofit organization that provides free legal services to low-income entrepreneurs. The second interview was held with two managers representing a non-profit organization that provides affordable housing opportunities for LMI individuals and families within Erie County. Notably, the representatives of both organizations highlighted West and East Buffalo as areas where there is the greatest need for financial services for LMI individuals and families.

The representative in the first interview noted that LMI individuals and small businesses with poor or no credit history have difficulty qualifying for loans from traditional financial institutions. As a result, many LMI individuals resort to predatory lenders that offer loans with high interest rates and fees. The representative indicated that there is a need for loan programs with more flexible underwriting criteria, both for individuals and small businesses with no or poor credit history. The representative also stated the need for more branch offices in Eastern Buffalo as the area has limited branch offices and branch offices that are available offer limited evening and weekend hours which are more convenient for LMI people.

The representatives in the second interview also noted the need for more branch offices in the area, as Erie County has a large unbanked population. The representatives also identified the need for loan programs with more flexible underwriting standards to help first time homebuyers to qualify for mortgage loans during the current environment of high interest rates and high home prices due to low housing inventory.

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IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

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

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

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

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

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

DFS derived the demographic data referred to in this report from the 2020 U.S. Census and the FFIEC. DFS based business demographic data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2019, 2020, 2021 and 2022.

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

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

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As BOH made very few small farm loans, DFS based all analyses on small business lending only.

BOH is not required to report small business and small farm loan data, so BOH's small business and small farm lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

At BOH's request, DFS considered BOH's consumer loan data in this Evaluation. Aggregate consumer data is not available for comparative purposes.

In its prior Community Reinvestment Act Performance Evaluation as of December 31, 2018, DFS assigned BOH a rating of "2" reflecting "Satisfactory" compliance with regulatory standards.

Current CRA Rating: Satisfactory

A. Lending Test: Satisfactory

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

1. Loan-to-Deposit Ratio and other Lending-Related Activities: Satisfactory

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

BOH's average LTD ratio of 69% for the evaluation period was slightly below its peer average LTD ratio of 72.3%. However, examiners noted that in 2019 and 2020, municipal deposits represented a significantly higher percentage of the Bank's deposits compared to its peer group banks. This resulted in the Bank's quarterly LTD ratios being well below its peer groups quarterly LTD ratios in 2019 and 2020, while for 2021 and 2022 the Bank's quarterly LTD ratios were comparable to its peer group's quarterly LTD ratios.

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

Loan-to-Deposit Ratios																	
	2019	2019	2019	2019	2020	2020	2020	2020	2021	2021	2021	2021	2022	2022	2022	2022	Avg.
	Q1	Q2	Q3	Q4													
Bank	70.8	68.5	71.2	74.3	71.8	68.6	67.2	70.8	65.1	64.1	66.9	66.7	65.8	67.6	70.2	74.0	69.0
Peer	80.1	80.5	80.5	79.9	79.2	77.4	76.5	71.8	68.3	66.8	65.3	64.7	63.3	64.8	67.7	70.1	72.3

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2. Assessment Area Concentration: Satisfactory

During the evaluation period, Bank of Holland originated 80.6% by number and 74.1% by dollar value of its total HMDA-reportable, small business and consumer loans within the assessment area, demonstrating a reasonable concentration of lending.

i. HMDA-Reportable Loans:

BOH originated 75.4% by number and 70.0% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending.

ii. Small Business Loans:

BOH originated 81.5% by number and 81.4% by dollar value of its small business loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending.

iii. Consumer Loans:

During the evaluation period, BOH originated 87.9% by number and 82.4% by dollar value of its consumer loans within the assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2019	130	80.7%	31	19.3%	161	18,967	79.6%	4,850	20.4%	23,817
2020	98	73.7%	35	26.3%	133	15,655	73.8%	5,572	26.2%	21,227
2021	128	69.2%	57	30.8%	185	20,813	64.9%	11,262	35.1%	32,075
2022	116	78.9%	31	21.1%	147	17,070	64.6%	9,360	35.4%	26,430
Subtotal	472	75.4%	154	24.6%	626	72,505	70.0%	31,044	30.0%	103,549
Small Business										
2019	63	88.7%	8	11.3%	71	7,210	90.4%	764	9.6%	7,974
2020	110	84.0%	21	16.0%	131	11,561	78.3%	3,201	21.7%	14,762
2021	103	75.7%	33	24.3%	136	9,476	82.1%	2,068	17.9%	11,544
2022	59	80.8%	14	19.2%	73	8,502	78.4%	2,337	21.6%	10,839
Subtotal	335	81.5%	76	18.5%	411	36,749	81.4%	8,370	18.6%	45,119
Consumer										
2019	81	88.0%	11	12.0%	92	1,591	85.1%	278	14.9%	1,869
2020	88	92.6%	7	7.4%	95	2,486	93.0%	186	7.0%	2,672
2021	84	87.5%	12	12.5%	96	2,351	77.7%	674	22.3%	3,025
2022	90	84.1%	17	15.9%	107	3,202	77.7%	918	22.3%	4,120
Subtotal	343	87.9%	47	12.1%	390	9,630	82.4%	2,056	17.6%	11,686
Grand Total	1,150	80.6%	277	19.4%	1,427	118,884	74.1%	41,470	25.9%	160,354

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Distribution by Borrower Characteristics: Satisfactory

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

BOH's average HMDA-reportable lending rate to LMI borrowers by number of loans was comparable with the aggregate's rate, while by dollar value of loans the Bank's rate trailed the aggregate's rate. BOH's average small business lending rates to businesses with gross annual revenue of \$1 million or less by number and dollar value of loans significantly exceeded the aggregate's rates for the evaluation period. BOH's average consumer lending rates to LMI borrowers by number of loans exceeded the percentage of LMI households in the assessment area, while by dollar value the Bank's rate trailed the percentage of LMI households.

a. One-to-Four Family HMDA-Reportable Loans

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

BOH's average rate of one-to-four family HMDA-reportable lending to LMI borrowers of 24.2% by number of loans was comparable to the aggregate's rate of 25.6%, while the Bank's average rate by dollar value of 10.6% trailed the aggregate's rate of 18%.

The Bank's annual rate of lending to LMI borrowers by number of loans significantly fluctuated during the evaluation period exceeding the aggregate's rates in 2020 and 2021, while trailing the aggregate's rates in 2019 and 2022 (the year the Bank expanded its assessment area). By dollar value of loans, the Bank's annual rate trailed the aggregate's rate for each year of the evaluation period.

Both BOH's and the aggregate's lending rates to LMI borrowers trailed the percentage of LMI families living in the assessment area for each year of the evaluation period.

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

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Distribution of One-to-Four Family Loans by Borrower Income									
2019									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	6.2%	436	2.3%	315	5.9%	28,435	3.3%	12.8%
Moderate	17	13.2%	1,160	6.2%	1,075	20.2%	128,045	14.8%	16.0%
LMI	25	19.4%	1,596	8.5%	1,390	26.1%	156,480	18.1%	28.7%
Middle	35	27.1%	3,589	19.2%	1,340	25.1%	188,380	21.8%	20.8%
Upper	67	51.9%	13,218	70.6%	2,334	43.8%	472,490	54.7%	50.5%
Unknown	2	1.6%	309	1.7%	270	5.1%	45,690	5.3%	
Total	129		18,712		5,334		863,040		
2020									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	5.1%	259	1.7%	270	3.9%	24,820	1.9%	12.8%
Moderate	22	22.4%	1,295	8.3%	1,100	16.0%	146,880	11.3%	16.0%
LMI	27	27.6%	1,554	9.9%	1,370	19.9%	171,700	13.2%	28.7%
Middle	18	18.4%	2,212	14.1%	1,770	25.7%	290,020	22.3%	20.8%
Upper	52	53.1%	11,792	75.3%	3,272	47.6%	746,200	57.3%	50.5%
Unknown	1	1.0%	98	0.6%	468	6.8%	94,000	7.2%	
Total	98		15,656		6,880		1,301,920		
2021									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	9.8%	588	3.2%	340	4.6%	35,900	2.5%	12.8%
Moderate	22	17.9%	1,915	10.3%	1,300	17.8%	188,500	13.2%	16.0%
LMI	34	27.6%	2,503	13.5%	1,640	22.4%	224,400	15.7%	28.7%
Middle	27	22.0%	3,223	17.4%	1,907	26.1%	324,995	22.8%	20.8%
Upper	62	50.4%	12,836	69.2%	3,377	46.2%	798,775	56.1%	50.5%
Unknown	0	0.0%	0	0.0%	393	5.4%	76,685	5.4%	
Total	123		18,562		7,317		1,424,855		
2022									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	6.3%	421	2.6%	621	8.2%	63,235	4.7%	16.9%
Moderate	19	17.0%	1,238	7.7%	1,930	25.5%	270,080	20.2%	17.2%
LMI	26	23.2%	1,659	10.3%	2,551	33.7%	333,315	25.0%	34.1%
Middle	36	32.1%	4,700	29.1%	2,039	26.9%	335,085	25.1%	22.7%
Upper	46	41.1%	8,978	55.5%	2,680	35.4%	609,890	45.7%	43.2%
Unknown	4	3.6%	829	5.1%	309	4.1%	55,735	4.2%	
Total	112		16,166		7,579		1,334,025		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	32	6.9%	1,704	2.5%	1,546	5.7%	152,390	3.1%	
Moderate	80	17.3%	5,608	8.1%	5,405	19.9%	733,505	14.9%	
LMI	112	24.2%	7,312	10.6%	6,951	25.6%	885,895	18.0%	
Middle	116	25.1%	13,724	19.9%	7,056	26.0%	1,138,480	23.1%	
Upper	227	49.1%	46,824	67.8%	11,663	43.0%	2,627,355	53.4%	
Unknown	7	1.5%	1,236	1.8%	1,440	5.3%	272,110	5.5%	
Total	462		69,096		27,110		4,923,840		

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b. Small Business Loans

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

BOH's average rates of lending to small businesses with annual revenues of \$1 million or less during the evaluation period were 74% by number and 47.2% by dollar value significantly exceeding the aggregate's rates of 34% and 22.5% respectively.

Both the Bank and the aggregate's annual lending rates to small businesses with gross annual revenue of \$1 million or less trailed the percentage of such businesses located in the assessment area.

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

Distribution of Small Business Lending by Revenue Size of Business									
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	51	81.0%	4,695	65.1%	1,877	50.3%	54,788	35.6%	83.1%
Rev. > \$1MM	12	19.0%	2,515	34.9%					6.4%
Rev. Unknown		0.0%		0.0%					10.5%
Total	63		7,210		3,733		153,692		
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	82	74.5%	4,917	42.5%	2,097	42.7%	82,684	25.2%	85.1%
Rev. > \$1MM	27	24.5%	6,524	56.4%					5.4%
Rev. Unknown	1	0.9%	120	1.0%					9.5%
Total	110		11,561		4,908		327,847		
2021									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	79	76.7%	3,811	40.2%	2,486	50.9%	67,784	29.5%	86.0%
Rev. > \$1MM	23	22.3%	5,465	57.7%					4.7%
Rev. Unknown	1	1.0%	200	2.1%					9.3%
Total	103		9,476		4,887		229,833		
2022									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	36	61.0%	3,908	46.0%	2,852	52.2%	70,847	35.5%	84.5%
Rev. > \$1MM	23	39.0%	4,594	54.0%					5.0%
Rev. Unknown		0.0%		0.0%					10.5%
Total	59		8,502		5,467		199,311		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	248	74.0%	17,331	47.2%	6,460	34.0%	205,256	22.5%	84.7%
Rev. > \$1MM	85	25.4%	19,098	52.0%					
Rev. Unknown	2	0.6%	320	0.9%					
Total	335		36,749		18,995		910,683		

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c. Consumer Loans

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

BOH average consumer lending rate to LMI borrowers by number of loans of 43.7% was well above the average percentage of LMI households of 31.8% living in the Bank’s assessment area, while BOH’s lending rate by dollar value of 21.7% trailed the average percentage of LMI households of 31.8%.

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					
2019					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	11	13.6%	45	2.8%	16.6%
Moderate	23	28.4%	324	20.4%	14.3%
LMI	34	42.0%	369	23.2%	30.9%
Middle	20	24.7%	333	20.9%	16.8%
Upper	26	32.1%	839	52.7%	52.3%
Unknown	1	1.2%	50	3.1%	0.0%
Total	81		1,591		
2020					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	14	15.9%	153	6.2%	16.6%
Moderate	25	28.4%	390	15.7%	14.3%
LMI	39	44.3%	543	21.8%	30.9%
Middle	13	14.8%	301	12.1%	16.8%
Upper	35	39.8%	1,547	62.2%	52.3%
Unknown	1	1.1%	95	3.8%	0.0%
Total	88		2,486		
2021					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	13	15.5%	159	6.8%	16.6%
Moderate	18	21.4%	198	8.4%	14.3%
LMI	31	36.9%	357	15.2%	30.9%
Middle	25	29.8%	523	22.2%	16.8%
Upper	28	33.3%	1,471	62.6%	52.3%
Unknown	0	0.0%	0	0.0%	0.0%
Total	84		2,351		
2022					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	22	24.4%	351	11.0%	18.9%
Moderate	24	26.7%	471	14.7%	15.7%
LMI	46	51.1%	822	25.7%	34.6%
Middle	13	14.4%	358	11.2%	18.6%
Upper	30	33.3%	2,007	62.7%	46.9%
Unknown	1	1.1%	15	0.5%	0.0%
Total	90		3,202		
GRAND TOTAL					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	60	17.5%	708	7.4%	17.2%
Moderate	90	26.2%	1,383	14.4%	14.7%
LMI	150	43.7%	2,091	21.7%	31.8%
Middle	71	20.7%	1,515	15.7%	17.3%
Upper	119	34.7%	5,864	60.9%	51.0%
Unknown	3	0.9%	160	1.7%	0.0%
Total	343		9,630		

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3. Geographic Distribution of Loans: Satisfactory

BOH’s combined origination of HMDA-reportable, small business and consumer loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

DFS’ analysis of this criterion focused solely on the Bank’s lending performance in 2022, the year the Bank expanded the assessment area resulting in the number of moderate-income census tracts to increase to 11 and no low-income census tracts. Prior to 2022, the Bank’s assessment area contained only one moderate-income census tract and no low-income census tracts. While the Bank did not originate any HMDA-reportable, small business loans and consumer loans in that moderate-income census tract in 2019, 2020 and 2021, the aggregate’s HMDA-reportable annual lending rates in that single moderate-income census tract by number and dollar value of loans never exceeded 0.8%, and small business lending rates never exceeded 1.8% by number of loans.

a. HMDA-Reportable Loans

The distribution of BOH’s HMDA-reportable loans among census tracts of varying income levels was reasonable.

In 2022, the Bank’s HMDA reportable lending rates in LMI census tracts were 8.6% by number and 6% by dollar value, which were comparable to the aggregate’s lending rate of 8.7% and 6.2% respectively. Both BOH’s and the aggregate’s lending rates just trailed the 9.3% of owner-occupied housing units located in LMI census tracts.

The following table provides a summary of the distribution of BOH’s HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2022									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	10	8.6%	1,019	6.0%	661	8.7%	87,795	6.2%	9.3%
LMI	10	8.6%	1,019	6.0%	661	8.7%	87,795	6.2%	9.3%
Middle	77	66.4%	10,666	62.5%	4,330	56.9%	714,460	50.1%	60.4%
Upper	29	25.0%	5,385	31.5%	2,624	34.5%	623,390	43.7%	30.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	116		17,070		7,615		1,425,645		

b. Small Business Loans

The distribution of BOH’s small business loans among census tracts of varying income levels was reasonable.

In 2022, BOH’s small business lending rates of 6.8% by number and 7.4% by dollar value of loans were comparable to the aggregate’s rates of 7.3% and 8.8%, respectively. BOH’s and the aggregate’s rates exceeded the 4.8% of small businesses located in moderate-income census tracts within the Bank’s assessment area.

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The following table provides a summary of the distribution of BOH’s small business loans by the income level of the geography where the businesses were located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2022									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Moderate	4	6.8%	632	7.4%	397	7.3%	17,445	8.8%	4.8%
LMI	4	6.8%	632	7.4%	397	7.3%	17,445	8.8%	4.8%
Middle	44	74.6%	7,073	83.2%	3,117	57.0%	110,176	55.3%	62.2%
Upper	11	18.6%	797	9.4%	1,953	35.7%	71,690	36.0%	33.0%
Unknown		0.0%		0.0%	0	0.0%	0	0.0%	
Total	59		8,502		5,467		199,311		

c. Consumer Loans

The distribution of BOH’s consumer loans among census tracts of varying income levels was poor.

In 2022, BOH’s consumer lending rates of 2.2% by number of loans and 0.5% by dollar value of loans were well below the 11.5% of LMI households living in the Bank’s assessment area.

The following table provides a summary of the distribution of BOH’s consumer loans by the income level of the geography where the borrower was located.

Distribution of Consumer Lending by Geographic Income of the Census Tract					
2022					
Geographic	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0.0%
Moderate	2	2.2%	15	0.5%	11.5%
LMI	2	2.2%	15	0.5%	11.5%
Middle	63	70.0%	1,795	56.1%	60.1%
Upper	25	27.8%	1,392	43.5%	28.4%
Unknown	0	0.0%	0	0.0%	0.0%
Total	90		3,202		

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

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

B. Additional Factors

1. 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 Bank’s board of directors reviews and approves the CRA policy annually and is kept abreast of CRA-related activities via monthly board meetings, which include discussions about community activities by management and staff. The Bank conducts an annual CRA self-

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assessments (started in 2021), the self-assessment is submitted to the board for review. The most recent internal audit report of the CRA function was conducted in 2022 and the report was submitted to the board’s audit committee for review.

2. Discrimination and other illegal practices

- 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 practices by BOH intended to discourage applications for the types of credit offered by BOH.

- Evidence of prohibited discriminatory or other illegal credit practices.

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

3. Record of opening and closing offices and providing services at offices

BOH did not open or close any branch offices throughout the evaluation period. BOH operates three branches all of which are located within Erie County. Two branches are in middle-income census tracts and one branch is in an upper income census tract. Each branch location contains a deposit taking ATM. However, the Bank closed two offsite non-deposit taking ATMs during the evaluation period. Both ATMs were in middle-income census tracts, one in Cattaraugus County and one in Wyoming County.

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

* Partial County

4. Process Factors

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

BOH’s directors, management and staff are active in a variety of community organizations, which allows them to ascertain the community’s credit needs, as well as make the community aware of the banking and credit services being offered by the Bank.

- *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.*

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The Bank advertises its products and services in local weekly newspapers, the penny saver, on customer statements, direct mail, outdoor billboards, and local radio. The bank also advertises on its website.

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

While as a small banking institution for CRA purpose BOH is not required to make community development loans, BOH renewed a \$25,000 line of credit to the New York Business Development Corporation which supports small businesses in New York State by offering alternative financing options.

V - GLOSSARY

Aggregate Lending

“Aggregate lending” means the number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Banking Development District (“BDD”) Program

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

Community Development

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC, and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means 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 LMI persons (DFS multifamily industry letter <https://www.dfs.ny.gov/system/files/documents/2020/03/i1141204.pdf>) ;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are 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

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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

“Community development service” means a 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.

Community Development Financial Institution (“CDFI”)

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

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Fair Market Rents (“FMRs”)

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

Geography

“Geography” means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

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

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

LMI Geographies

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

LMI Borrowers

“LMI borrowers” means 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

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income. In cases where the residential property is 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 Federal Financial Institutions Examination Council (“FFIEC”).

LMI Individuals/Persons

“LMI individuals” or “LMI persons” means 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. The area median family incomes used to measure individual income levels are updated annually by the FFIEC.

LMI Penetration Rate

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit (“LIHTC”)

LIHTC were 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. The tax credits provide a dollar-for-dollar reduction in a taxpayer’s federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

Minority Depository Institutions (“MDIs”)

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

New Markets Tax Credit (“NMTC”)

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

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Paycheck Protection Program (“PPP”) Loans

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%. The program officially ended May 31, 2021.

Qualified Investment

“Qualified investment” means 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.

Small Business Loan

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