

PUBLIC DISCLOSURE

July 5, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Holland
Certificate Number: 01464

12 South Main Street
Holland, New York 14080

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.
- The bank made a majority of its loans in its assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout its assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- There were no CRA-related complaints during the evaluation period. As a result, examiners did not evaluate this performance criterion.

DESCRIPTION OF INSTITUTION

Bank of Holland (BOH) is an independent, full-service bank headquartered in Holland, New York. The bank operates in the southeastern portion of Erie County. Holland Bancorp, Inc., a one-bank holding company, owns 100.0 percent of the bank's common stock. The bank has no subsidiaries.

BOH received an "Outstanding" rating during its previous FDIC Performance Evaluation dated June 5, 2017, based on Interagency Small Institution CRA Examination Procedures.

Operations

In addition to its main office in Holland, New York, BOH operates two full-service branches in East Aurora and Elma, New York. The bank's Holland and Elma offices are located in middle-income census tracts, while its East Aurora office is located in an upper-income tract. The bank's main office and branches are equipped with Automated Teller Machines (ATMs). The bank operates one additional off-site ATM located within Erie County. The off-site ATM operates in a food market located in a middle-income census tract. BOH also partners with M&T Bank, a large multi-billion dollar regional depository institution, to provide surcharge free access to all M&T Bank ATMs throughout the assessment area. Since the prior performance evaluation, the bank did not open or close any branches and was not involved in any merger or acquisition activity.

BOH offers a variety of traditional loan and deposit products to serve both consumer and business customers. Consumer credit products include home mortgage, home equity lines of credit, consumer installment loans, and overdraft lines of credit. Commercial credit products include loans and lines of credit for real estate, business acquisition, working capital, equipment, and other business needs. Deposit products consist of checking and savings accounts, as well as certificates of deposit and individual retirement accounts. Alternative banking services include internet and mobile banking, debit cards, and bank-owned ATMs.

Ability and Capacity

As of March 31, 2023, the bank reported total assets of \$219.6 million and total deposits of \$204.7 million. Loans are the bank's primary asset at \$149.5 million, while securities total \$53.1 million.

BOH's assets have grown by about 83.7 percent since the prior evaluation. Most of the asset growth was in the loan and securities portfolios. Deposits, which increased by about 85.2 percent during this same time, primarily funded the growth in assets. Management stated that a portion of this asset and deposit growth was not due to any specific bank strategy or promotion, but rather due to the excess of federal government stimulus monies pumped into the economy in response to the COVID-19 pandemic. As a result, many bank customers had excess cash and decided to place it on deposit with the bank. Examiners noted that the prior evaluation was over six years ago, which accounted for some organic rise in deposit levels, but that about 60.0 percent of this total deposit increase occurred since the COVID-19 pandemic, beginning in early 2020.

The following table provides a breakdown of the loan portfolio as of March 31, 2023.

Loan Portfolio Distribution		
Loan Category	\$(000s)	%
Construction	3,162	2.1
Secured by 1-4 Family Residential Properties	113,058	75.6
Secured by Multifamily (5 or more) Residential Properties	2,981	2.0
Farmland	0	0.0
Secured by Non-farm Non-Residential Properties	22,233	14.9
Total Real Estate Loans	141,434	94.6
Commercial and Industrial Loans	4,477	3.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	3,541	2.4
Other	5	<0.1
Total Loans	149,457	100.0
<i>Source: Report of Condition and Income 03/31/2023</i>		

There are no financial, legal, or other impediments affecting the bank’s ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas (AA) within which examiners will evaluate its CRA performance. BOH continues to designate one AA that includes the southeastern portion of Erie County, as well as portions of Cattaraugus and Wyoming Counties that are adjacent to Erie County. The bank expanded the census tracts within its AA from 23 total census tracts at the prior evaluation to 79 tracts, all remaining within Erie, Cattaraugus, and Wyoming Counties. Erie County is located in the Buffalo-Cheektowaga, NY Metropolitan Statistical Area (MSA) #15380. Cattaraugus County composes the Olean, NY Micropolitan Statistical Area #36460 in its entirety. Both MSA #15380 and the Olean, NY Micropolitan Statistical Area are included within the larger Buffalo-Cheektowaga-Olean, NY Combined Statistical Area (CSA) #160. Wyoming County is part of the New York Non-metropolitan (Non-MSA) statewide area. Since the four census tracts in Wyoming County are contiguous to CSA #160 and do not extend substantially beyond its boundaries, the evaluation presents the bank’s performance in CSA#160 and the Non-MSA as one AA.

The bank’s AA changed during the evaluation period due to the nationally revised metropolitan area delineations published by the Office of Management and Budget (OMB), effective February 2023. The OMB published revised demographic data based on the 2020 U.S. Census. The census tract changes reflected in the 2020 Census data include an increase of three census tracts. In addition, the data resulted in some changes to existing geographic income classifications; specifically, the revised delineation added ten middle-income tracts and eliminated two moderate- and five upper-income tracts. Because these changes occurred during the evaluation period, examiners used the revised delineations to analyze the bank’s 2022 lending data and the prior delineations to analyze the 2021 lending data.

Economic and Demographic Data

The AA is composed of 79 census tracts, including 0 low-, 11 moderate-, 48 middle-, and 19 upper-income tracts, as well as 1 tract with no income designation (NA tract). The following table notes the demographic information for this AA.

Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	79	0.0	13.9	60.7	24.1	1.3
Population by Geography	304,349	0.0	10.8	58.6	30.2	0.4
Housing Units by Geography	136,847	0.0	11.9	60.3	27.8	0.0
Owner-Occupied Units by Geography	97,885	0.0	9.3	60.4	30.3	0.0
Occupied Rental Units by Geography	31,314	0.0	18.4	59.0	22.6	0.0
Vacant Units by Geography	7,648	0.0	18.4	64.8	16.7	0.0
Businesses by Geography	23,624	0.0	7.7	57.1	35.3	0.0
Farms by Geography	981	0.0	4.8	62.2	33.0	0.0
Family Distribution by Income Level	80,322	16.9	17.2	22.7	43.2	0.0
Household Distribution by Income Level	129,199	18.9	15.7	18.6	46.9	0.0
Median Family Income: MSA 15380 Buffalo-Cheektowaga, NY MSA		\$79,486	Median Housing Value Median Gross Rent Families Below Poverty Level			\$168,854 \$868 4.9%
NY Statewide Non-MSA		\$69,021				
<i>Source: 2020 U.S Census and 2022 D&B Data; (*) the NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.</i>						

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank's small business loans by the gross annual revenue (GAR) of the business for each year. According to 2022 D&B data, there were 23,624 business establishments in the AA. Listed below are the GARs for these businesses:

- 84.5 percent have GARs of \$1 million or less;
- 5.0 percent have GARs more than \$1 million; and
- 10.5 percent have unknown revenues.

According to Moody's Analytics, a strong healthcare and university presence continues to buoy the local economy of the greater Buffalo metro area, as these organizations represent many of the largest employers. The manufacturing job base has remained solid, as transportation equipment has supported some growth in the factory sector, with General Motors being a major employer. The area maintains low business costs relative to the state as a whole, which helps to support the local economy. Consumer industries remain stagnant in general, with retail employment dropping. Cross border shopping from Canada has begun to pick up after the COVID-19 pandemic and government lockdown measures, but continued labor shortages are preventing growth in the retail sector.

Weak population trends remain an ongoing drag on the local economy, as the area continues to experience out-migration and a shrinking working age population, resulting in a dwindling labor force. The persistent out-migration has helped to keep housing affordable historically, which hampers housing demand; however, there has been growth in home prices in recent years. There has been limited building of new homes, which has restricted the supply and helped put a floor under home prices; however, housing remains more affordable than other large metro areas in general.

The unemployment rate for the Buffalo-Cheektowaga-Olean NY CSA stood at 3.1 percent as of May 2023, which is lower than both the state level of 3.9 percent and the national level of 3.7 percent, and reflects a stronger local economy relative to the state and nation in general. However, a shrinking workforce is pushing the unemployment rate lower, and the labor force participation rate is only 58.9 percent. Older workers are retiring early and there is a low graduate retention rate historically, with college graduates tending to leave the area for higher-wage jobs elsewhere.

The following are the top employers in the general metro area that includes the AA: Kaleida Health; M&T Bank; Catholic Health; University of Buffalo; Wegmans Food Markets, Inc.; Tops Friendly Markets; Erie County Medical Center; Roswell Park Cancer Institute; and GEICO.

Competition

There is strong competition for 1-4 family loans within the AA. In 2021, 193 lenders reported 12,090 total 1-4 family loans. The top ten lenders, which are predominantly large national banks and mortgage companies, accounted for 62.0 percent of total 1-4 family loans. BOH ranked twentieth with a 1.1 percent market share.

There is strong competition for small business loans within this AA. In 2021, 123 lenders reported 23,857 total small business loans. The top ten lenders, which are predominantly large national credit card banks, accounted for 74.9 percent of small business loans. (As a small bank, BOH is not required to collect or report its small business loan data; therefore, the aggregate data does not include the bank's small business lending. However, the aggregate data is referenced here, as it reflects the demand for small business loans within the AA.)

The AA is also a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2022, 15 financial institutions operated 52 offices within the bank's AA. Of these institutions, BOH ranked eleventh with a 3.2 percent deposit market share. The five most prominent institutions with the highest deposit market shares accounted for 67.4 percent of the total market share, driven exclusively by very large multi-billion dollar regional and national banks.

Community Contact

Examiners conducted a community contact with a representative of a non-profit community development organization serving the rural communities in southern Erie County. The contact stated that the population served by local community banks tends to be older or lower income, with fewer local job opportunities available to them in general. The contact also stated that the large and dominant financial institutions in Erie County focus their efforts and resources on directly serving the more

populous city of Buffalo and surrounding suburbs. Overall, the contact identified an ongoing credit need for home improvement loans to complete necessary maintenance repairs, particularly due to the aged housing stock, as well as a credit need for affordable automobile financing, since most job opportunities require commutes to the greater Buffalo metro area.

Credit Needs

Based on information from the community contact, bank management, and the demographic and economic data, the most urgent and ongoing credit needs in the AA are home improvement loans, as well as affordable automobile financing, particularly for low- and moderate-income individuals and families. Access to reliable transportation is vital for local rural residents, since they must commute to Buffalo and the surrounding suburbs for a majority of employment opportunities.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Small Institution CRA Examination Procedures to evaluate BOH's performance since the previous evaluation dated June 5, 2017, to the current evaluation date of July 5, 2023. The procedures consist of the Lending Test (see Appendices). Examiners used full-scope procedures to assess BOH's performance in its AA.

Activities Reviewed

Examiners reviewed BOH's home mortgage, small business, and consumer loans to assess its performance, as these loan types were the bank's major product lines based on its business strategy and the number and dollar volume of loans originated during the evaluation period. The bank also made small farm loans; however, the volume was minimal, with only five such loans made in the AA during the review period. As a result, farm loans did not materially support the conclusions or ratings and are presented under the Assessment Area Concentration performance criteria only. Bank records indicate that the institution's lending focus and product mix remained consistent throughout the evaluation period.

Examiners reviewed the bank's home mortgage loans for 2021 and 2022, which included loans subject to the Home Mortgage Disclosure Act's (HMDA) data reporting requirements. The HMDA-reportable loans include home purchase and home improvement loans, including refinancing, on 1-4 family and multifamily (five or more unit) properties. The bank's HMDA activity included primarily 1-4 family residential mortgage loans during the review period, with 241 loans totaling \$35.1 million within its AA during the review period. Examiners compared the bank's 1-4 family lending to American Community Survey (ACS) census demographic data for 2021 and 2022, and aggregate HMDA data for 2021. During the review period, the bank also made nine multifamily loans within its AA. Given this nominal volume, this evaluation presents the bank's multifamily lending within the Assessment Area Concentration criteria only, since it did not affect the bank's overall performance and rating.

Examiners also analyzed the bank's small business loans, which included loans and credit lines with original amounts of \$1 million or less that the bank categorized as secured by nonfarm nonresidential property or as commercial/industrial loans. BOH is not required to collect or report small business loan data pursuant to CRA due to its asset size. However, the bank voluntarily collected the small business loan data for consideration in the performance evaluation. Examiners evaluated the bank's small business loans for 2021 and 2022. Examiners compared the bank's record of small business lending to D&B demographic data. The bank originated 164 small business loans totaling \$17.5 million within its AA during the review period.

Examiners also analyzed consumer loans originated in 2021 and 2022 using data collected by the bank. These loans include home equity loans, motor vehicle loans, and other secured and unsecured consumer loans. Examiners compared the bank's record of consumer lending to U.S. Census data. The bank originated 220 consumer loans totaling \$9.1 million within its AA during the review period.

For the Lending Test, examiners reviewed only originated loans, as the bank did not purchase loans. While the evaluation analyzes and presents the number and dollar volume of home mortgage, small business, and consumer loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served. In addition, examiners placed the greatest emphasis on the bank's 1-4 family home mortgage lending in arriving at the conclusions and ratings, as this lending accounted for the greatest number and dollar volume of loans during the review period.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated "Satisfactory." BOH's reasonable performance in the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria supports this rating.

Loan-to-Deposit (LTD) Ratio

BOH's average net LTD ratio is reasonable given the bank's size, financial condition, and the AA credit needs. The bank had an average net LTD ratio of 68.5 percent based on data in the 20 quarterly Reports of Condition and Income published since the previous evaluation.

Examiners compared BOH's average net LTD ratio to that of four similarly situated institutions selected based on asset size, geographic location, areas served, and lending focus. As shown in the following table, BOH's average net LTD ratio was higher than two of the similarly situated institutions, and lower than two of the lenders.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets as of 3/31/2023 \$(000s)	Average Net LTD Ratio (%)
Bank of Holland	219,602	68.5
Cayuga National Bank	261,415	59.5
Savannah Bank, N.A.	180,119	51.0
Generations Bank	387,951	93.2
Alden State Bank	429,540	80.5

Source: Reports of Condition and Income, 6/30/2017 - 3/31/2023

Assessment Area Concentration

BOH made a majority of its loans inside its AA. As shown in the following table, the bank originated 80.7 percent of its total loans by number and 70.9 percent by dollar volume inside its AA.

Lending Inside and Outside of the AA										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
1-4 Family										
2021	129	72.5	49	27.5	178	18,954	67.1	9,279	32.9	28,233
2022	112	80.6	27	19.4	139	16,165	71.7	6,390	28.3	22,555
Subtotal	241	76.0	76	24.0	317	35,119	69.1	15,669	30.9	50,788
Small Business										
2021	106	77.9	30	22.1	136	9,476	82.1	2,068	17.9	11,544
2022	58	80.6	14	19.4	72	8,002	77.4	2,337	22.6	10,339
Subtotal	164	78.8	44	21.2	208	17,478	79.9	4,405	20.1	21,883
Consumer										
2021	104	91.2	10	8.8	114	3,809	81.6	857	18.4	4,666
2022	116	87.9	16	12.1	132	5,294	81.7	1,185	18.3	6,479
Subtotal	220	89.4	26	10.6	246	9,103	81.7	2,042	18.3	11,145
Small Farm										
2021	5	83.3	1	16.7	6	283	95.9	12	4.1	295
2022	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Subtotal	5	83.3	1	16.7	6	283	95.9	12	4.1	295
Multifamily										
2021	5	71.4	2	28.6	7	2,252	58.6	1,590	41.4	3,842
2022	4	50.0	4	50.0	8	905	23.4	2,970	76.6	3,875
Subtotal	9	60.0	6	40.0	15	3,157	40.9	4,560	59.1	7,717
Total	639	80.7	153	19.3	792	65,140	70.9	26,688	29.1	91,828

Source: 2021 and 2022 HMDA data; 2021 and 2022 Bank Records. Due to rounding, totals may not equal 100.0.

As shown in the table above, BOH had a much higher volume of small business loans in 2021 than in 2022. The difference in volume is due mainly to the bank’s participation in the Small Business Administration’s Paycheck Protection Program (PPP) in 2021, which increased the bank’s lending that year. The PPP provided emergency assistance to businesses during the COVID-19 pandemic. The SBA provided loan forgiveness to PPP borrowers that used loan funds for eligible expenses and met employee retention criteria. The PPP expired in 2021.

Geographic Distribution

The geographic distribution of loans reflects a reasonable dispersion throughout the AA. The bank’s reasonable dispersion of 1-4 family and small business loans primarily supports this conclusion.

1-4 Family Loans

The geographic distribution of 1-4 family loans reflects a reasonable dispersion throughout the AA. Examiners focused on the percentage of loans made within moderate-income census tracts by the number of loans, as detailed in the following table.

Geographic Distribution of 1-4 Family Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	--	0	0.0	0	0.0
Moderate						
2021	9.6	8.6	0	0.0	0	0.0
2022	9.3	--	9	8.0	639	4.0
Middle						
2021	48.5	45.2	85	65.9	11,333	59.8
2022	60.4	--	75	67.0	10,266	63.5
Upper						
2021	41.9	46.2	44	34.1	7,621	40.2
2022	30.3	--	28	25.0	5,260	32.5
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	129	100.0	18,954	100.0
2022	100.0	--	112	100.0	16,165	100.0

Source: 2010 and 2020 U.S. Census; 2021 and 2022 Bank Data; 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

As shown in the table, the bank made no 1-4 family loans within the moderate-income census tracts in 2021, which represents poor performance compared to the demographic data and the aggregate level. However, the bank’s lending level in the moderate-income geographies increased significantly in 2022, nearly equaling the demographic data, which was good. Given the demand reflected in the recent aggregate data, the strong competition in the area, BOH’s financial capacity and resources, and its substantive improvement in 2022, its overall distribution of 1-4 family loans in the moderate-income tracts is reasonable.

Small Business Loans

The geographic distribution of small business loans reflects a reasonable dispersion throughout the AA. Examiners focused on the percentage of loans made within the moderate-income census tracts by number of loans, as detailed in the following table.

Geographic Distribution of Small Business Loans					
Geography Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	0.0	0	0.0	0	0.0
2022	0.0	0	0.0	0	0.0
Moderate					
2021	11.3	1	0.9	8	0.1
2022	7.7	3	5.2	132	1.6
Middle					
2021	43.2	64	60.4	4,861	51.3
2022	57.1	44	75.9	7,073	88.4
Upper					
2021	45.5	41	38.7	4,607	48.6
2022	35.3	11	19.0	797	10.0
Not Available					
2021	0.0	0	0.0	0	0.0
2022	0.0	0	0.0	0	0.0
Totals					
2021	100.0	106	100.0	9,476	100.0
2022	100.0	58	100.0	8,002	100.0

Source: 2010 and 2020 U.S. Census; 2021 and 2022 D&B Data; 2021 and 2022 Bank Records. Due to rounding, totals may not equal 100.0.

As shown in the table, the bank made only one small business loan within the moderate-income census tracts in 2021, or 0.9 percent of total loans, which is significantly below the demographic comparison. In 2022, the bank increased its lending in the moderate-income tracts to three loans despite a significant decline in total small business lending upon the expiration of the PPP. In 2022, the bank’s percentage of lending in the moderate-income tracts improved to a level more consistent with the demographic measure. Given the bank’s performance context and the improved lending in

the moderate-income tracts in 2022, BOH’s overall geographic distribution of small business loans is reasonable.

Consumer Loans

The geographic distribution of consumer loans reflects a poor dispersion throughout the AA. Examiners focused on the percentage of loans made within the moderate-income geographies.

Geographic Distribution of Consumer Loans					
Geography Income Level	% of Households	#	%	\$(000s)	%
Low					
2021	0.0	0	0.0	0	0.0
2022	0.0	0	0.0	0	0.0
Moderate					
2021	12.2	0	0.0	0	0.0
2022	11.5	3	2.6	25	0.5
Middle					
2021	49.4	51	49.0	1,095	28.7
2022	60.1	84	72.4	3,659	69.1
Upper					
2021	38.4	53	51.0	2,714	71.3
2022	28.4	29	25.0	1,610	30.4
Not Available					
2021	0.0	0	0.0	0	0.0
2022	0.0	0	0.0	0	0.0
Totals					
2021	100.0	104	100.0	3,809	100.0
2022	100.0	116	100.0	5,294	100.0

Source: 2010 and 2020 U.S. Census; 2021 and 2022 Bank Records. Due to rounding, totals may not equal 100.0.

As shown in the table, the bank made no consumer loans within the moderate-income census tracts in 2021, which was significantly below the demographic comparison. In 2022, the bank’s lending level increased slightly, but remained well below the demographic measure. As a result, BOH’s distribution of consumer loans in the moderate-income tracts is poor.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes. The bank’s reasonable penetration among individuals of different income levels for its 1-4 family and consumer loans primarily supports this conclusion.

1-4 Family Loans

The distribution of 1-4 family loans reflects a reasonable penetration among retail customers of different incomes. Examiners focused on the percentage of loans made to low- and moderate-income borrowers by the number of loans, as detailed in the following table.

Distribution of 1-4 Family Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	15.0	7.3	13	10.1	708	3.7
2022	16.9	--	7	6.3	421	2.6
Moderate						
2021	17.2	22.4	24	18.6	2,015	10.6
2022	17.2	--	19	17.0	1,238	7.7
Middle						
2021	22.0	26.1	28	21.7	3,281	17.3
2022	22.7	--	36	32.1	4,700	29.1
Upper						
2021	45.8	38.2	63	48.8	12,866	67.9
2022	43.2	--	46	41.1	8,978	55.5
Not Available						
2021	0.0	5.9	1	0.8	85	0.4
2022	0.0	--	4	3.6	829	5.1
Totals						
2021	100.0	100.0	129	100.0	18,954	100.0
2022	100.0	--	112	100.0	16,165	100.0

Source: 2010 and 2020 U.S. Census; 2021 and 2022 Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

As shown in the table, the bank’s percentage of 1-4 family loans to low-income borrowers in 2021 was lower than the demographics, but materially exceeded the aggregate level and was excellent. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this comparison. In 2022, the bank’s percentage of loans to low-income borrowers decreased, though remained at a reasonable level. As a result, BOH’s overall distribution of 1-4 family loans among low-income borrowers is reasonable.

The bank’s percentage of 1-4 family loans to moderate-income borrowers in 2021 slightly exceeded the demographic data, but was below the aggregate level. In 2022, the bank’s percentage of loans to moderate-income borrowers decreased slightly, but nearly equaled the demographic data. Overall, the bank’s distribution of 1-4 family loans among moderate-income borrowers is reasonable.

Small Business Loans

The distribution of borrowers reflects excellent penetration of small business loans among businesses of different sizes. Examiners focused on the percentage of loans made to businesses with GARs of \$1 million or less by the number of loans, as detailed in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Annual Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	84.2	82	77.4	3,811	40.2
2022	84.5	36	62.1	3,908	48.8
>\$1,000,000					
2021	5.3	23	21.7	5,465	57.7
2022	5.0	22	37.9	4,094	51.2
Revenue Not Available					
2021	10.5	1	0.9	200	2.1
2022	10.5	0	0.0	0	0.0
Totals					
2021	100.0	106	100.0	9,476	100.0
2022	100.0	58	100.0	8,002	100.0

Source: 2021 and 2022 D&B Data; 2021 and 2022 Bank Records. Due to rounding, totals may not equal 100.0.

As shown in the table above, the bank’s percentage of small business loans among businesses with GARs of \$1 million or less in 2021 was lower than the demographic measure, but not to a significant degree. Additionally, although not used as a direct comparison, the 2021 aggregate small business loan data shows that loan demand from businesses with GARs of \$1 million or less was significantly lower than what the demographic data indicated. Specifically, this data shows that 45.5 percent of all reported small business loans were to businesses with GARs of \$1 million or less, which was much lower than the percentage of businesses in that revenue category. Given the demand reflected in both the demographic and aggregate data, BOH’s lending performance among businesses with GARs of \$1 million or less in 2021 was excellent. During 2022, BOH’s total small business lending volume declined significantly upon the expiration of the PPP, which mainly affected the volume of loans in the GARs of \$1 million or less category. As shown in the table above, BOH’s lending to these smaller businesses decreased by number of loans and as a percentage of total lending, but remained at a strong level.

Overall, the bank’s lending performance among small businesses is excellent based on the demand reflected in the recent aggregate data, the strong competition in the area, and BOH’s financial capacity and resources.

Consumer Loans

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels. Examiners focused on the percentage of loans made to low- and moderate-income borrowers by the number of loans, as detailed in the following table.

Distribution of Consumer Loans by Borrower Income Level					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low					
2021	18.8	14	13.5	179	4.7
2022	18.9	25	21.6	451	8.5
Moderate					
2021	15.3	21	20.2	268	7.0
2022	15.7	28	24.1	551	10.4
Middle					
2021	17.6	29	27.9	664	17.4
2022	18.6	17	14.7	524	9.9
Upper					
2021	48.4	40	38.5	2,698	70.8
2022	46.9	45	38.8	3,753	70.9
Not Available					
2021	0.0	0	0.0	0	0.0
2022	0.0	1	0.9	15	0.3
Totals					
2021	100.0	104	100.0	3,809	100.0
2022	100.0	116	100.0	5,294	100.0

Source: 2010 and 2020 U.S. Census; 2021 and 2022 Bank Records. Due to rounding, totals may not equal 100.0.

As reflected in the table, the bank’s percentage of loans to low-income borrowers was lower than the demographic measure for 2021. However, the bank’s lending performance increased in 2022 and slightly exceeded the demographic comparison. As a result, the bank’s distribution of loans among low-income borrowers was reasonable. BOH’s level of lending to moderate-income borrowers exceeded the demographic data for both years, and increased from 2021 to 2022. As a result, the bank’s percentage of loans to moderate-income borrowers was excellent.

Overall, the bank’s distribution of consumer loans among the low- and moderate-income borrowers was reasonable on a combined basis.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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 statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.