



2021 Annual Report

subsidiary



**The
Delaware National
Bank of Delhi**

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

Delhi Bank Corp.
124 Main Street • Delhi NY 13753
855-413-3544

ANNUAL MEETING

Tuesday June 14, 2022, 1:00 p.m.
The Delaware National Bank of Delhi
Main Office
124 Main Street • Delhi NY 13753

STOCK INFORMATION

The common stock of Delhi Bank Corp. is quoted on the OTC Markets under the symbol "DWNX". Information can be obtained from www.otcmarkets.com.

STOCK TRANSFER AGENT

The Delaware National Bank of Delhi
124 Main Street • Delhi NY 13753
855-363-3544

MARKET MAKER

Raymond James & Associates, Inc.
800-800-4693

DIVIDEND REINVESTMENT AND OPTIONAL CASH PURCHASE PLAN

Shareholders may participate in the Dividend Reinvestment and Optional Cash Purchase Plan. The plan provides that additional shares of common stock may be purchased with reinvested dividends and by voluntary cash payments. A plan description and enrollment form may be obtained upon request from The Delaware National Bank of Delhi.

DIVIDEND CALENDAR

Dividends on Delhi Bank Corp. common stock are customarily payable on or about the 15th of January, April, July, and October.

DIRECT DEPOSIT OF DIVIDENDS

Direct Deposit is a safe, convenient method for the receipt of dividend payments. Direct deposits to a checking, savings, or other account can be arranged by contacting The Delaware National Bank of Delhi.

INVESTOR/SHAREHOLDER INQUIRIES

Requests for information or assistance regarding Delhi Bank Corp. should be directed to The Delaware National Bank of Delhi.

THE DELAWARE NATIONAL BANK OF DELHI

BANK LOCATIONS

MAIN BANK

124 Main Street • Delhi, NY
855-413-3544

MARGARETVILLE BRANCH

42568 State Highway 28 • Margaretville, NY
855-423-3544

DAVENPORT BRANCH

2503 Prosser Hollow Road • West Davenport, NY
855-433-3544

HOBART BRANCH

1058 Main Street • Hobart, NY
855-443-3544

ONEONTA LOAN OFFICE

265 Main Street, Suite 7 • Oneonta, NY
855-403-3544

SIDNEY LOAN OFFICE

276 State Highway 7 • Sidney, NY
855-483-3544

BANK WEBSITE AND EMAIL

Website: www.dnbd.bank
Email: dnb@dnbd.net

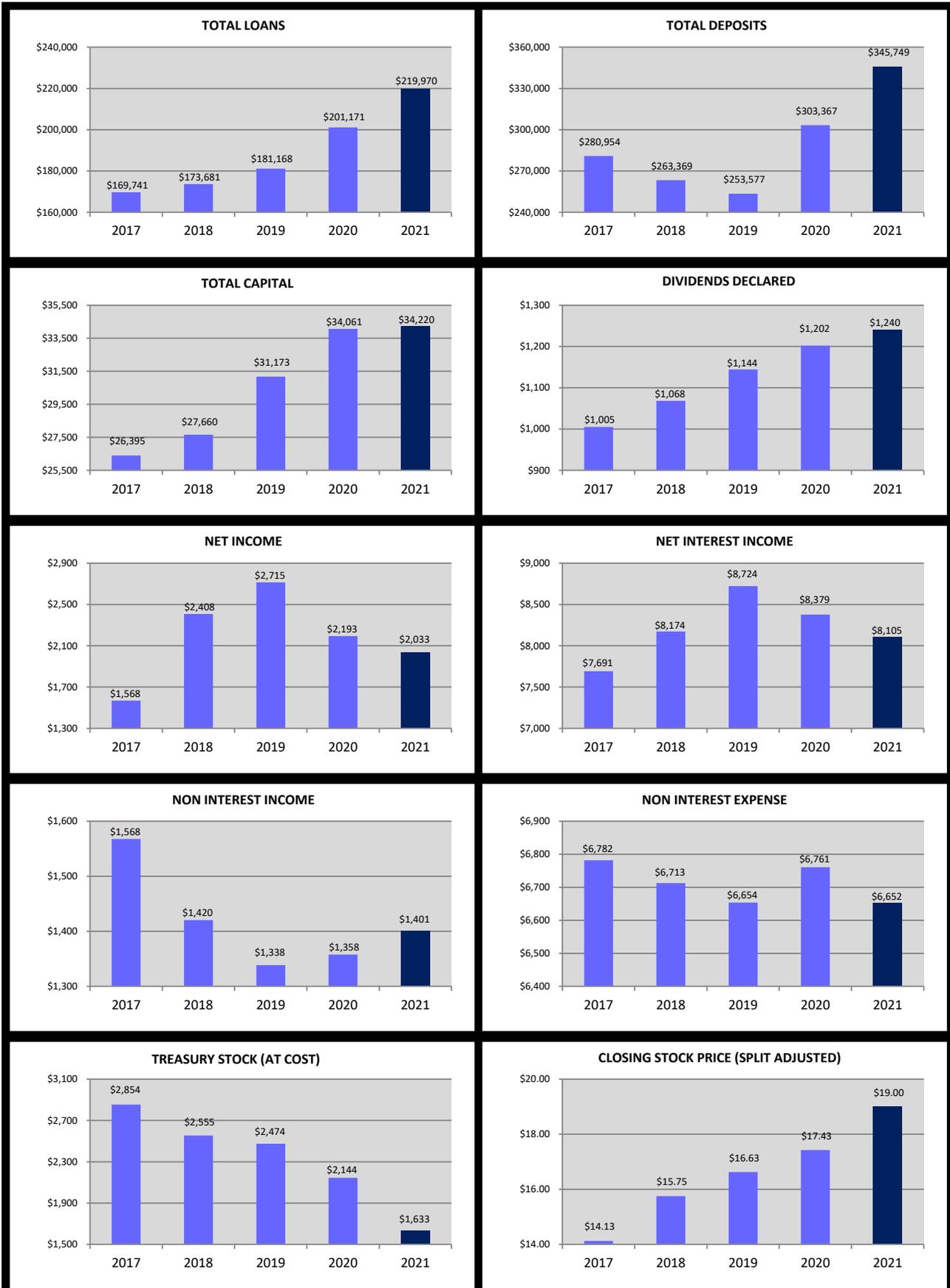
TRUST SERVICES

124 Main Street • Delhi, NY
855-363-3544
trust@dnbd.net

- Investment Management
- Estate Settlement
- Trusteeship
- Custodianship
- Transfer and/or paying agent
- Singular purchase/sale of securities
- Estate/Trust management
- Consultation

FINANCIALS AT A GLANCE

Dollars in thousands, except Closing Stock Price



PRESIDENT'S MESSAGE 2022

To Our Stockholders,

The year 2021 was a successful year for Delhi Bank Corp., given all of the uncertainties that faced not only our nation but the world. It was my hope as I prepared this letter that COVID would be a distant memory and a “thing of the past.” Unfortunately, it is still prevalent and it appears will remain so for the foreseeable future. As I mentioned last year, the Bank monitors and follows all of the health and safety guidelines of the New York State Health Department and the Centers for Disease Control. On a brighter note, in July 2021, the Board of Directors declared a 100% common stock dividend payable in August 2021. The substance of the transaction was that of a two-for-one stock split effected in the form of a stock dividend.

Net Income per share was \$0.62, compared to the prior year's results of \$0.68 (split adjusted). The Bank's Net Income was \$2.03 million, compared to 2020, which was \$2.19 million. The Net Income decrease was a manageable 7.31%.

Total assets increased by 12.45%. Investment securities increased by 21.93%, while net loans increased 9.34%. Deposits increased by 13.77%. Capital increase was .47%, making our capital to assets ratio 8.90% at year end. The increase in loans was created predominately by local demand. As always, we are very proud to be your community Bank.

The last shares of Delhi Bank Corp. traded in 2021 were at \$19.00. The common stock book value per share at December 31, 2021, was \$10.33 based on the actual number of common shares outstanding. Your Board of Directors declared cash dividends of \$0.3769 per share in 2021 which was a .69% increase over the dividends declared in 2020. This equates to a dividend yield of 1.98% based on the year end market price. Including the dividend declared at year end, Delhi Bank Corp. has maintained or increased the dividend payout for 60 consecutive quarters.

In June 2021, Mr. Andrew F. Davis III retired from our Board of Directors. Andy's retirement came after 31 years of service to the Bank as a member of the Board of Directors, including nine years as Chairman of the Board. It was an honor to have served with Andy, a man of unwavering integrity and dedication. We wish Andy the best of health and enjoyment in his retirement, and thank him for his many years of dedication and service.

The Delaware National Bank of Delhi, Delhi, New York, has once again earned a top (5-Star) rating from BauerFinancial, Inc., the Nation's Premier Bank Rating Firm. Per BauerFinancial, “Banking on the community while its neighbors and friends bank with it has been a winning combination for The Delaware National Bank of Delhi. Working together towards common goals and interests has allowed The Delaware National Bank of Delhi to continuously earn this top rating for 108 quarters. While customers are banking with The Delaware National Bank of Delhi, The Delaware National Bank of Delhi is banking on them. It's a community thing; local people helping out neighbors and friends. They make it look easy. Nothing is that difficult when you love what you do and take a personal interest in the people you do it for. And that is clearly the case with The Delaware National Bank of Delhi.”

Thank you for your continued support. We look forward to a successful 2022 and beyond. Be safe.

Respectfully



Peter V. Gioffe
President

Delhi Bank Corp. and Subsidiary

Table of Contents

December 31, 2021 and 2020

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Income	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Stockholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8

Independent Auditors' Report

To the Stockholders and Board of Directors of
Delhi Bank Corp. and Subsidiary

Opinion

We have audited the consolidated financial statements of Delhi Bank Corp. and Subsidiary (Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.

Baker Tilly US, LLP

Wilkes-Barre, Pennsylvania
March 16, 2022

Delhi Bank Corp. and Subsidiary

Consolidated Balance Sheets
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and due from banks	\$ 8,223,218	\$ 9,187,666
Interest-bearing deposits with banks	37,570,000	33,348,000
Available-for-sale debt securities	101,963,166	81,993,315
Held-to-maturity debt securities	785,188	2,275,207
Restricted equity securities	328,400	304,300
Loans receivable, net	219,970,084	201,171,002
Premises and equipment, net	4,539,371	3,246,993
Bank owned life insurance	7,928,355	7,704,761
Other assets	3,032,588	2,566,413
	<u>384,340,370</u>	<u>341,797,657</u>
Total assets	<u>\$ 384,340,370</u>	<u>\$ 341,797,657</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 78,003,247	\$ 65,405,415
Interest-bearing	267,745,394	237,961,868
	<u>345,748,641</u>	<u>303,367,283</u>
Total deposits	345,748,641	303,367,283
Finance lease liability	115,378	142,237
Other liabilities	4,256,172	4,227,260
	<u>350,120,191</u>	<u>307,736,780</u>
Total liabilities	350,120,191	307,736,780
Stockholders' Equity		
Common stock, \$1 par; 5,000,000 shares authorized; 3,457,937 shares issued and 3,320,066 shares outstanding in 2021, and 3,415,922 shares issued and 3,234,906 shares outstanding in 2020	3,457,937	3,415,922
Additional paid-in capital	4,480,193	3,787,219
Retained earnings	28,678,487	27,886,032
Accumulated other comprehensive (loss) income	(763,133)	1,116,107
Treasury stock, at cost; 137,871 shares in 2021 and 181,016 shares in 2020	(1,633,305)	(2,144,403)
	<u>34,220,179</u>	<u>34,060,877</u>
Total stockholders' equity	34,220,179	34,060,877
Total liabilities and stockholders' equity	<u>\$ 384,340,370</u>	<u>\$ 341,797,657</u>

See notes to consolidated financial statements

Delhi Bank Corp. and SubsidiaryConsolidated Statements of Income
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Interest and Dividend Income		
Interest and fees on loans	\$ 7,207,545	\$ 7,705,391
Investments:		
Taxable	1,415,422	1,387,593
Tax-exempt	74,781	132,066
Interest-bearing deposits with banks	502,791	621,438
Dividends	12,936	18,373
	<u>9,213,475</u>	<u>9,864,861</u>
Total interest and dividend income		
Interest Expense		
Deposits	1,099,091	1,466,049
Borrowed funds and finance lease	8,890	19,757
	<u>1,107,981</u>	<u>1,485,806</u>
Total interest expense		
Net Interest Income	8,105,494	8,379,055
Provision for Loan Losses	<u>360,000</u>	<u>280,000</u>
Net Interest Income After Provision for Loan Losses	<u>7,745,494</u>	<u>8,099,055</u>
Noninterest Income		
Service charges and fees	249,411	248,566
Trust department	376,593	346,534
ATM and debit card processing	410,672	346,787
Other	140,576	196,695
Bank owned life insurance income	223,594	219,151
	<u>1,400,846</u>	<u>1,357,733</u>
Total noninterest income		
Noninterest Expense		
Salaries and employee benefits	3,797,112	3,831,211
Occupancy and equipment	1,779,470	1,742,817
Professional fees	323,461	307,936
Director fees	177,330	159,615
ATM and debit card processing	158,980	139,708
FDIC premiums	95,688	68,598
Contributions	49,506	49,131
Other real estate owned	27,093	20,489
Other	243,419	441,283
	<u>6,652,059</u>	<u>6,760,788</u>
Total noninterest expense		
Income Before Provision for Income Tax	2,494,281	2,696,000
Provision for Income Tax	<u>461,610</u>	<u>502,916</u>
Net Income	<u>\$ 2,032,671</u>	<u>\$ 2,193,084</u>
Earnings Per Share	<u>\$ 0.62</u>	<u>\$ 0.68</u>

See notes to consolidated financial statements

Delhi Bank Corp. and Subsidiary

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Income	<u>\$ 2,032,671</u>	<u>\$ 2,193,084</u>
Other Comprehensive (Loss) Income		
Unrealized (losses) gains on available-for-sale securities	(2,378,785)	1,274,209
Tax effect	<u>499,545</u>	<u>(267,584)</u>
Total other comprehensive (loss) income	<u>(1,879,240)</u>	<u>1,006,625</u>
Total Comprehensive Income	<u><u>\$ 153,431</u></u>	<u><u>\$ 3,199,709</u></u>

See notes to consolidated financial statements

Delhi Bank Corp. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity
 Years Ended December 31, 2021 and 2020

	Common Stock*	Additional Paid-In Capital*	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
Balance, December 31, 2019	\$ 3,381,062	\$ 3,261,818	\$ 26,894,978	\$ 109,482	\$ (2,474,331)	\$ 31,173,009
Net income	-	-	2,193,084	-	-	2,193,084
Other comprehensive income	-	-	-	1,006,625	-	1,006,625
Issuance of 34,860 shares of common stock	34,860	553,760	-	-	-	588,620
Purchase of 8,010 shares of treasury stock	-	-	-	-	(134,561)	(134,561)
Sale of 39,642 shares of treasury stock	-	(28,359)	-	-	464,489	436,130
Dividends declared (\$.3743 per share)	-	-	(1,202,030)	-	-	(1,202,030)
Balance, December 31, 2020	3,415,922	3,787,219	27,886,032	1,116,107	(2,144,403)	34,060,877
Net income	-	-	2,032,671	-	-	2,032,671
Other comprehensive loss	-	-	-	(1,879,240)	-	(1,879,240)
Issuance of 42,015 shares of common stock	42,015	734,649	-	-	-	776,664
Purchase of 3 shares of treasury stock	-	-	-	-	(56)	(56)
Sale of 43,148 shares of treasury stock	-	(41,675)	-	-	511,154	469,479
Dividends declared (\$.3769 per share)	-	-	(1,240,216)	-	-	(1,240,216)
Balance, December 31, 2021	<u>\$ 3,457,937</u>	<u>\$ 4,480,193</u>	<u>\$ 28,678,487</u>	<u>\$ (763,133)</u>	<u>\$ (1,633,305)</u>	<u>\$ 34,220,179</u>

* - Common stock and additional paid-in capital as well as share amounts have been adjusted for the effect of the stock split - see Note 1

See notes to consolidated financial statements

Delhi Bank Corp. and SubsidiaryConsolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Net income	\$ 2,032,671	\$ 2,193,084
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	360,000	280,000
Depreciation	330,754	309,964
Amortization and accretion of investment securities, net	643,102	547,892
Deferred income taxes	3,566	(22,392)
Bank owned life insurance income	(223,594)	(219,151)
Loss on sale of foreclosed assets	-	4,485
Net change in:		
Other assets	(40,073)	(256,735)
Other liabilities	89,788	55,613
	<u>3,196,214</u>	<u>2,892,760</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Net increase in interest-bearing deposits with banks	(4,222,000)	(3,980,000)
Purchase of available-for-sale debt securities	(48,251,257)	(35,900,193)
Proceeds from maturities, calls and principal repayments of available-for-sale debt securities	25,259,519	22,464,174
Purchase of held-to-maturity debt securities	-	(1,454,281)
Proceeds from maturities, calls and principal repayments of held-to-maturity debt securities	1,490,019	442,127
Purchase of restricted equity securities	(125,000)	(405,800)
Proceeds from redemption of restricted equity securities	100,900	806,200
Net increase in loans receivable	(19,159,082)	(20,364,843)
Proceeds from sale of foreclosed assets	-	119,528
Purchase of premises and equipment	(1,623,132)	(111,143)
	<u>(46,530,033)</u>	<u>(38,384,231)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Net increase in deposits	42,381,358	49,790,260
Net decrease in short-term borrowings	-	(7,525,000)
Principal payments on finance lease liability	(26,859)	(23,016)
Dividends paid	(1,231,215)	(1,186,908)
Issuance of common stock	776,664	588,620
Purchase of treasury stock	(56)	(134,561)
Proceeds from sale of treasury stock	469,479	436,130
	<u>42,369,371</u>	<u>41,945,525</u>
Net cash provided by financing activities		
Net (Decrease) Increase in Cash and Due From Banks	(964,448)	6,454,054
Cash and Due From Banks, Beginning	<u>9,187,666</u>	<u>2,733,612</u>
Cash and Due From Banks, Ending	<u>\$ 8,223,218</u>	<u>\$ 9,187,666</u>

See notes to consolidated financial statements

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Delhi Bank Corp. (Bank Corp.) and its wholly-owned subsidiary, The Delaware National Bank of Delhi (Bank) (collectively, Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

The Company provides a full range of commercial banking services to individual and small business customers in Delaware County, New York and the surrounding counties. The area is a rural market with an economic base made up of light manufacturing, retail and agricultural businesses. The Company's primary deposit products are demand deposits and interest bearing time and savings accounts. It offers a full array of loan products to meet the needs of retail and commercial customers.

The Bank is subject to regulation by the Office of the Comptroller of the Currency. The Bank Corp. is subject to regulation by the Federal Reserve Bank of New York.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the valuation of investment securities and determination of other-than-temporary impairment thereon, and valuation of deferred tax assets.

In connection with the determination of the allowance for loan losses, management generally obtains independent appraisals for significant properties. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in economic conditions. It is reasonably possible that the estimated losses on loans may change materially in the near term.

The Company's investment securities are comprised of a variety of financial instruments. The fair values and possible other-than-temporary impairment of these securities are subject to various risks including changes in the interest rate environment and general economic conditions. Due to the increased level of these risks and their potential impact on the fair values and the need to recognize other-than-temporary impairment of the securities, it is possible that the amounts reported in the accompanying consolidated financial statements could materially change in the near term.

Cash and Due From Banks

For the purposes of the statements of cash flows, cash and due from banks includes cash on hand and amounts due from other banks.

Interest-Bearing Deposits With Banks

Interest-bearing deposits with banks consist of certificates of deposit and are carried at cost which approximates fair value.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Significant Group Concentration of Credit Risk

The Company grants loans to customers primarily located in Delaware County, New York and the surrounding counties. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the economic conditions in its marketplace. The Company does not have any significant concentrations from one industry or customer.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. The Company has no trading securities.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Declines in the fair value of held-to-maturity and available-for-sale securities below their costs that are deemed to be credit-related are reflected in earnings as realized losses.

Restricted Equity Securities

Restricted equity securities consist of investments in the Federal Home Loan Bank of New York (FHLB), the Federal Reserve Bank of New York and the Atlantic Community Bankers Bank. Investments in these entities are restricted and carried at cost.

The Company, as a member of the FHLB system, is required to maintain an investment in the capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. Management considers whether this investment is impaired based on the ultimate recoverability of the cost basis rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of the cost includes (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, (3) the impact of legislative and regulatory changes on the institutions and on the customer base of the FHLB and (4) the liquidity position of the FHLB. Management believes no impairment charge is necessary related to its investment in FHLB stock.

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances, adjusted for the allowance for loan losses and any unamortized deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield over the contractual life of the loan using the interest method.

The loan receivable portfolio is segmented into real estate, commercial and industrial, agricultural and consumer loans. Real estate loans include loans secured by commercial, residential and agricultural properties. Residential loans include 1-4 family mortgage loans and home equity loans. Commercial and industrial loans are secured by equipment, accounts receivable, inventories or other business assets. Agricultural loans are secured by equipment and other farm assets. Consumer loans consist of personal installment and auto loans and credit cards. The segments of the Company's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. Common risk characteristics include loan type, collateral type and geographic location.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Generally, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is well secured. When a loan is placed on nonaccrual status, unpaid interest is reversed against interest income. Interest received on nonaccrual loans, including impaired loans, is either applied to principal or recognized as interest income, depending on management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The allowance for loan losses is increased by the provision for loan losses and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Consumer loans are generally charged off no later than 120 days past due on a contractual basis (earlier in the event of bankruptcy) or if there is an amount deemed uncollectible.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components.

The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, a specific allowance is established when the collateral value, observable market price, or discounted cash flows of the impaired loan is lower than the carrying value of that loan. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment records, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis.

The estimated fair values of substantially all of the Company's impaired loans are measured based on the estimated fair value of the loan's collateral.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

For loans secured by real estate, estimated fair values are determined through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted, when necessary, to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's consolidated financial statements, inventory reports, accounts receivable agings or equipment appraisals or invoices. Indications of value from these sources are generally discounted, as appropriate, based on the age of the financial information or the quality of the assets.

The general component covers pools of loans by loan class including loans not considered impaired, as well as smaller balance homogeneous loans, such as residential and consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates, adjusted for qualitative risk factors. These qualitative risk factors include:

1. Lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices.
2. National, regional, and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.
3. Nature and volume of the portfolio and terms of loans.
4. Experience, ability and depth of lending management and staff.
5. Volume and severity of past due, classified and nonaccrual loans as well as other loan modifications.
6. Existence and effect of any concentrations of credit and changes in the level of such concentrations.
7. Effect of other external factors (i.e., competition, legal and regulatory).
8. Changes in the quality of the loan review system.
9. Changes in the value of underlying collateral for collateral-dependent loans.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for all loan classes. Credit quality risk ratings include regulatory classifications of pass, special mention, substandard, doubtful and loss. Loans criticized as special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are immediately charged to the allowance for loan losses. Loans not classified are rated pass. To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company has a structured loan rating process encompassing both internal and external oversight. The Company's loan officers are responsible for the timely and accurate risk rating of all loans in the Company's loan portfolio at origination and on an ongoing basis. The Company utilizes an external loan review consultant to conduct a loan review of its portfolio each year. The external consultant generally reviews all commercial loan relationships exceeding a specified threshold.

Loans whose terms are modified are classified as troubled debt restructurings if the Company grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring may involve a temporary reduction in interest rate or an extension of a loan's stated maturity date. Nonaccrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification. Loans classified as troubled debt restructurings are designated as impaired.

In addition, federal regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses and may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated lives of the assets. Finance lease right-of-use assets are recorded at an amount equal to the lease liability at commencement plus initial direct costs and is amortized over the shorter of the lease term or the estimated life of the asset. The lease liability is equal to the present value of the minimum lease payments. Amortization of finance lease right-of-use assets is included in depreciation expense.

Bank Owned Life Insurance

The Company is the owner and beneficiary of life insurance policies on certain current and former executive employees and directors. The life insurance investment is carried at the cash surrender value of the underlying policies. The increase in the cash surrender value is recognized as a component of noninterest income. The policies can be liquidated, if necessary, with tax costs associated. However, the Company intends to hold these policies and, accordingly, the Company has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Stock Split

In July 2021, the Board of Directors declared a 100% common stock dividend payable in August 2021. The substance of the transaction was that of a two-for-one stock split effected in the form of a dividend. All common stock, additional paid-in capital, share and per share amounts in the consolidated financial statements have been retroactively adjusted for the split.

Earnings Per Share

Earnings per share is based on the weighted average number of shares of common stock outstanding. The Company's basic and diluted earnings per share are the same since there are no dilutive shares of potential common stock outstanding. Weighted average shares outstanding were 3,286,997 in 2021 and 3,208,758 in 2020.

Advertising Costs

Advertising costs are expensed as incurred and were \$40,663 in 2021 and \$36,475 in 2020.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Any losses based on the asset's fair value at the date of foreclosure are charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs incurred in maintaining foreclosed assets and subsequent adjustments to the carrying amount of the assets are included in noninterest expenses. There were no foreclosed assets at December 31, 2021 and 2020. Residential real estate loans in process of foreclosure at December 31, 2021 were approximately \$113,000.

Income Taxes

Income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities. Enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Treasury Stock

Treasury stock is recorded at cost. The subsequent disposition or sale of the treasury stock is recorded using the average cost method.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive (loss) income. Other comprehensive (loss) income consists solely of the net unrealized (losses) gains on available-for-sale debt securities, net of deferred income taxes. Accumulated other comprehensive (loss) income consists of net unrealized (losses) gains of \$(965,991) less deferred income tax benefit of \$202,858 at December 31, 2021 and \$1,412,794 less deferred income taxes of \$296,687 at December 31, 2020.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Revenue Recognition

The Company recognizes revenue from various sources, including loans, investment securities, bank-owned life insurance, deposit accounts and sales of assets.

Interest income on loans is accrued on the unpaid principal balance and recorded daily. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method. Other loan fees, including late charges, are recognized as they occur.

Interest income on debt securities, including purchase premiums and discounts, is calculated using the interest method over the term of the securities. Dividends on equity securities are recorded when declared.

Earnings on bank-owned life insurance policies represent the increase in the cash surrender value of these policies as well as any gains resulting from settlement of the policies.

Noninterest income includes service charge, overdraft, and other deposit account fees, ATM and debit card interchange income, trust department fees, and other miscellaneous fees and income. Revenue is recognized when the Company's performance obligation is completed which is generally monthly for interchange and trust department income or when a transaction has been completed, such as when an overdraft occurs. Other fees and income are generally transactional in nature and are recognized as they occur.

Gains or losses on sales of assets are generally recognized when the asset has been legally transferred to the buyer and the Company has no continuing involvement with the asset. The Company does not generally finance the purchase.

Consolidated Statements of Cash Flows

Interest paid totaled \$1,113,290 in 2021 and \$1,562,719 in 2020. Income tax payments totaled \$490,000 in 2021 and \$510,000 in 2020. Amounts transferred from loans to foreclosed assets were \$0 in 2021 and \$82,013 in 2020.

Subsequent Events

Subsequent events were evaluated through March 16, 2022, the date the consolidated financial statements were available to be issued.

Future Accounting Standard to be Adopted

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The Company is required to adopt this guidance in 2023 and is currently working with a vendor on testing a model. The potential impact will be based on various factors at the date of adoption but the Company does not expect the adoption will have a significant effect on the consolidated financial statements.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. Cash and Due From Banks

The Company may be required to maintain amounts on reserve with the Federal Reserve Bank. There was no reserve requirement at December 31, 2021 and 2020.

The Company may also be required to maintain clearing balance funds on deposit with the Federal Reserve Bank. There was no required minimum clearing balance at December 31, 2021 and 2020.

3. Investment Securities

The amortized cost and fair values of available-for-sale and held-to-maturity debt securities are as follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. government agencies	\$ 21,612,660	\$ 258,469	\$ 309,855	\$ 21,561,274
U.S. government sponsored enterprises, (GSE), mortgage-backed securities, residential	79,088,554	359,363	1,365,903	78,082,014
Local government obligations	2,227,942	91,936	-	2,319,878
Total	<u>\$ 102,929,156</u>	<u>\$ 709,768</u>	<u>\$ 1,675,758</u>	<u>\$ 101,963,166</u>
Held-to-maturity:				
Local government obligations	<u>\$ 785,188</u>	<u>\$ 53,768</u>	<u>\$ -</u>	<u>\$ 838,956</u>
	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. government agencies	\$ 19,785,341	\$ 543,116	\$ 192,887	\$ 20,135,570
U.S. GSE, mortgage-backed securities, residential	57,310,083	953,589	63,247	58,200,425
Local government obligations	3,485,097	172,223	-	3,657,320
Total	<u>\$ 80,580,521</u>	<u>\$ 1,668,928</u>	<u>\$ 256,134</u>	<u>\$ 81,993,315</u>
Held-to-maturity:				
Local government obligations	<u>\$ 2,275,207</u>	<u>\$ 84,778</u>	<u>\$ -</u>	<u>\$ 2,359,985</u>

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The amortized cost and fair market values of debt securities at December 31, 2021, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 980,045	\$ 987,060
Due after one through five years	1,425,436	1,512,990
Due after five through ten years	10,839,507	10,929,570
Due after ten years	10,595,614	10,451,532
Mortgage-backed securities	79,088,554	78,082,014
Total	\$ 102,929,156	\$ 101,963,166

	Held-to-Maturity	
	Amortized Cost	Fair Value
Due in one year or less	\$ 262,025	\$ 265,470
Due after one through five years	418,163	443,316
Due after five through ten years	87,500	107,460
Due after ten years	17,500	22,710
Total	\$ 785,188	\$ 838,956

There were no sales of available-for-sale debt securities in 2021 or 2020.

The following tables show the gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	December 31, 2021					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale:						
U.S. government agencies	\$ 5,746,503	\$ 152,390	\$ 4,490,827	\$ 157,465	\$ 10,237,330	\$ 309,855
Mortgage-backed securities, GSE, residential	45,298,301	1,134,035	9,275,633	231,868	54,573,934	1,365,903
Total	\$ 51,044,804	\$ 1,286,425	\$ 13,766,460	\$ 389,333	\$ 64,811,264	\$ 1,675,758

	December 31, 2020					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale:						
U.S. government agencies	\$ 944,737	\$ 11,219	\$ 6,006,680	\$ 181,668	\$ 6,951,417	\$ 192,887
Mortgage-backed securities, GSE, residential	12,116,829	59,563	405,378	3,684	12,522,207	63,247
Total	\$ 13,061,566	\$ 70,782	\$ 6,412,058	\$ 185,352	\$ 19,473,624	\$ 256,134

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Company had 65 debt securities in unrealized loss positions at December 31, 2021. The securities have depreciated approximately 2.5% from the Company's amortized cost basis. These securities are primarily issued by U.S. government agencies and U.S. GSE. The unrealized losses are considered to result from changes in interest rates and not from downgrades in the creditworthiness of the issuers. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. The Company does not intend to sell these securities nor is it more likely than not that it will be required to sell these securities prior to recovery. No declines are deemed to be other-than-temporary.

Investment securities with carrying amounts of \$59,521,322 and \$62,271,193 at December 31, 2021 and 2020, respectively, were pledged to secure deposits as required or permitted by law.

4. Loans Receivable and Allowance for Loan Losses

Loans receivable at December 31 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Real estate:		
Residential	\$ 95,988,907	\$ 85,764,806
Commercial	95,830,459	74,962,636
Commercial and industrial	20,577,227	29,105,342
Agricultural	1,263,454	4,678,288
Consumer	3,930,024	4,316,298
	<u>217,590,071</u>	<u>198,827,370</u>
Total	217,590,071	198,827,370
Allowance for loan losses	(1,015,795)	(635,054)
Deferred loan costs and purchase premiums, net	3,395,808	2,978,686
	<u>3,395,808</u>	<u>2,978,686</u>
Net	<u>\$ 219,970,084</u>	<u>\$ 201,171,002</u>

Included above are individual loans purchased by the Company representing the fully guaranteed portion of loans originated through the Small Business Administration (SBA), U.S. Department of Agriculture and Farm Services Agency as well as Paycheck Protection Program (PPP) loans originated by the Company. Such loans are irrevocably guaranteed by the full faith and credit of the U.S. government as to principal and accrued interest. No allowance has been provided for these loans based on the guarantee. The table below details these loans by loan type at December 31:

	<u>2021</u>	<u>2020</u>
Real estate:		
Commercial	\$ 74,415,652	\$ 52,196,483
Commercial and industrial	18,509,809	24,690,980
Agricultural	1,179,564	4,597,004
	<u>94,105,025</u>	<u>81,484,467</u>
Total	94,105,025	81,484,467
Allowance for loan losses	-	-
Purchase premiums and origination fees, net	158,548	112,983
	<u>158,548</u>	<u>112,983</u>
Net	<u>\$ 94,263,573</u>	<u>\$ 81,597,450</u>

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Changes in the allowance for loan losses for 2021 and related loan information are as follows:

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Agricultural	Consumer	Total
Allowance for loan losses:						
Beginning balance, January 1, 2021	\$ 479,589	\$ 107,651	\$ 17,652	\$ 284	\$ 29,878	\$ 635,054
Charge-offs	-	-	-	-	(17,336)	(17,336)
Recoveries	-	20,937	4,842	-	12,298	38,077
Provision	340,589	11,809	(9,124)	261	16,465	360,000
Ending balance, December 31, 2021	<u>\$ 820,178</u>	<u>\$ 140,397</u>	<u>\$ 13,370</u>	<u>\$ 545</u>	<u>\$ 41,305</u>	<u>\$ 1,015,795</u>
Ending balance individually evaluated for impairment	<u>\$ 2,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,636</u>	<u>\$ 7,120</u>
Ending balance collectively evaluated for impairment	<u>\$ 817,694</u>	<u>\$ 140,397</u>	<u>\$ 13,370</u>	<u>\$ 545</u>	<u>\$ 36,669</u>	<u>\$ 1,008,675</u>
Loans receivable at December 31, 2021, total balance	<u>\$ 95,988,907</u>	<u>\$ 95,830,459</u>	<u>\$ 20,577,227</u>	<u>\$ 1,263,454</u>	<u>\$ 3,930,024</u>	<u>\$ 217,590,071</u>
Ending balance individually evaluated for impairment	<u>\$ 933,346</u>	<u>\$ 46,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,636</u>	<u>\$ 984,892</u>
Ending balance collectively evaluated for impairment	<u>\$ 95,055,561</u>	<u>\$ 95,783,549</u>	<u>\$ 20,577,227</u>	<u>\$ 1,263,454</u>	<u>\$ 3,925,388</u>	<u>\$ 216,605,179</u>

Changes in the allowance for loan losses for 2020 and related loan information are as follows:

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Agricultural	Consumer	Total
Allowance for loan losses:						
Beginning balance, January 1, 2020	\$ 320,198	\$ 93,268	\$ 17,842	\$ 657	\$ 44,812	\$ 476,777
Charge-offs	(83,544)	-	-	-	(93,149)	(176,693)
Recoveries	23,957	104	3,475	-	27,434	54,970
Provision	218,978	14,279	(3,665)	(373)	50,781	280,000
Ending balance, December 31, 2020	<u>\$ 479,589</u>	<u>\$ 107,651</u>	<u>\$ 17,652</u>	<u>\$ 284</u>	<u>\$ 29,878</u>	<u>\$ 635,054</u>
Ending balance individually evaluated for impairment	<u>\$ 8,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,655</u>
Ending balance collectively evaluated for impairment	<u>\$ 470,934</u>	<u>\$ 107,651</u>	<u>\$ 17,652</u>	<u>\$ 284</u>	<u>\$ 29,878</u>	<u>\$ 626,399</u>
Loans receivable at December 31, 2020, total balance	<u>\$ 85,764,806</u>	<u>\$ 74,962,636</u>	<u>\$ 29,105,342</u>	<u>\$ 4,678,288</u>	<u>\$ 4,316,298</u>	<u>\$ 198,827,370</u>
Ending balance individually evaluated for impairment	<u>\$ 1,127,131</u>	<u>\$ 142,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,269,847</u>
Ending balance collectively evaluated for impairment	<u>\$ 84,637,675</u>	<u>\$ 74,819,920</u>	<u>\$ 29,105,342</u>	<u>\$ 4,678,288</u>	<u>\$ 4,316,298</u>	<u>\$ 197,557,523</u>

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The following table summarizes information on impaired loans at December 31:

December 31, 2021	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential real estate	\$ 818,298	\$ 800,225	\$ -	\$ 923,065	\$ -
Commercial real estate	49,948	46,910	-	85,545	-
With an allowance recorded:					
Residential real estate	133,120	133,121	2,484	194,736	2,823
Consumer	4,636	4,636	4,636	834	-
Totals:					
Residential real estate	951,418	933,346	2,484	1,117,801	2,823
Commercial real estate	49,948	46,910	-	85,545	-
Consumer	4,636	4,636	4,636	834	-
December 31, 2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential real estate	\$ 1,045,460	\$ 1,025,865	\$ -	\$ 1,096,911	\$ 3,081
Commercial real estate	152,061	142,716	-	164,556	-
Consumer	-	-	-	120	-
With an allowance recorded:					
Residential real estate	101,266	101,266	8,655	103,672	-
Consumer	-	-	-	833	-
Totals:					
Residential real estate	1,146,726	1,127,131	8,655	1,200,583	3,081
Commercial real estate	152,061	142,716	-	164,556	-
Consumer	-	-	-	953	-

The following table presents information on nonaccrual loans at December 31:

	2021	2020
Residential real estate	\$ 875,382	\$ 1,063,609
Commercial real estate	46,910	142,716
Consumer	4,636	-
Total	\$ 926,928	\$ 1,206,325

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The following table presents information by the Company's internal risk rating system at December 31:

	2021					
	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Agricultural	Consumer	Total
Pass	\$ 91,241,358	\$ 91,991,370	\$ 20,368,289	\$ 1,260,581	\$ 3,850,840	\$ 208,712,438
Special mention	2,982,649	2,695,514	186,617	2,873	68,877	5,936,530
Substandard	1,764,900	1,143,575	22,321	-	10,307	2,941,103
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	<u>\$ 95,988,907</u>	<u>\$ 95,830,459</u>	<u>\$ 20,577,227</u>	<u>\$ 1,263,454</u>	<u>\$ 3,930,024</u>	<u>\$ 217,590,071</u>

	2020					
	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Agricultural	Consumer	Total
Pass	\$ 80,597,631	\$ 71,325,563	\$ 28,881,942	\$ 4,673,165	\$ 4,207,287	\$ 189,685,588
Special mention	3,057,800	2,204,443	206,639	5,123	91,789	5,565,794
Substandard	1,957,261	1,432,630	16,761	-	17,222	3,423,874
Doubtful	152,114	-	-	-	-	152,114
Loss	-	-	-	-	-	-
Total	<u>\$ 85,764,806</u>	<u>\$ 74,962,636</u>	<u>\$ 29,105,342</u>	<u>\$ 4,678,288</u>	<u>\$ 4,316,298</u>	<u>\$ 198,827,370</u>

The following table presents information on past due status at December 31:

	2021						Recorded Investment > 90 Days Accruing
	30-59 Days Past Due	60-89 Days Past Due	Greater > 90 Days	Total Past Due	Current	Total Loans	
Residential real estate	\$ 263,520	\$ -	\$ 456,335	\$ 719,855	\$ 95,269,052	\$ 95,988,907	\$ -
Commercial real estate	2,448	-	-	2,448	95,828,011	95,830,459	-
Commercial and industrial	-	-	-	-	20,577,227	20,577,227	-
Agricultural	-	-	-	-	1,263,454	1,263,454	-
Consumer	4,530	-	4,636	9,166	3,920,858	3,930,024	-
Total	<u>\$ 270,498</u>	<u>\$ -</u>	<u>\$ 460,971</u>	<u>\$ 731,469</u>	<u>\$ 216,858,602</u>	<u>\$ 217,590,071</u>	<u>\$ -</u>

	2020						Recorded Investment > 90 Days Accruing
	30-59 Days Past Due	60-89 Days Past Due	Greater > 90 Days	Total Past Due	Current	Total Loans	
Residential real estate	\$ 924,214	\$ 74,891	\$ 546,625	\$ 1,545,730	\$ 84,219,076	\$ 85,764,806	\$ -
Commercial real estate	28,117	-	42,334	70,451	74,892,185	74,962,636	-
Commercial and industrial	-	-	-	-	29,105,342	29,105,342	-
Agricultural	-	-	-	-	4,678,288	4,678,288	-
Consumer	34,700	2,814	-	37,514	4,278,784	4,316,298	-
Total	<u>\$ 987,031</u>	<u>\$ 77,705</u>	<u>\$ 588,959</u>	<u>\$ 1,653,695</u>	<u>\$ 197,173,675</u>	<u>\$ 198,827,370</u>	<u>\$ -</u>

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Company may grant a concession or modification for economic or legal reasons related to a borrower's financial condition that it would not otherwise consider resulting in a modified loan which is then identified as a troubled debt restructuring (TDR). The Company may modify loans through rate reductions, extensions of maturity, interest only payments or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers' operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. TDRs are considered impaired loans for purposes of calculating the Company's allowance for loan losses.

The Company identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's consolidated financial statements, revenue projections, tax returns and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future.

The Company did not enter into any TDRs or have any TDRs default in 2021 and 2020.

In 2020, the Company instituted a payment deferral program to assist borrowers experiencing financial hardship due to COVID-19 related challenges. This program was established in response to federal banking agencies guidance encouraging banks to work with borrowers that may be unable to meet their contractual obligations due to the effects of COVID-19. This guidance stated that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current at the time of modification are not considered TDRs. In addition, Section 4013 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) provided that loan modifications related to COVID-19 on a loan that was current at December 31, 2019 are not considered TDRs. The Company modified approximately \$14 million of loans to allow for payment deferrals. These deferrals included principal, and principal and interest deferrals, generally for three months. Additional modifications were made as necessary. Loans on payment deferral were \$0 at December 31, 2021 and \$299,758 at December 31, 2020.

5. Premises and Equipment

Premises and equipment at December 31 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 744,592	\$ 744,592
Buildings and improvements	5,137,619	5,097,645
Furniture and equipment	1,994,547	1,723,712
Right-of-use asset under finance lease	300,000	300,000
Construction in progress	1,312,323	-
	<hr/>	<hr/>
Total cost	9,489,081	7,865,949
	<hr/>	<hr/>
Less accumulated depreciation	4,949,710	4,618,956
	<hr/>	<hr/>
Net	<u>\$ 4,539,371</u>	<u>\$ 3,246,993</u>

The Company leases a branch facility under the terms of a lease agreement that has been accounted for as a finance lease. The lease expires in 2025. The net book value of the right-of-use asset under finance lease was \$73,333 at December 31, 2021 and \$93,333 at December 31, 2020.

Construction in progress consists of costs related to the renovation of the Delhi branch office. At December 31, 2021, the Company was committed to the estimated completed project total of \$1.6 million.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Future minimum lease payments on the finance lease are as follows:

Years ended December 31:		
2022	\$	35,580
2023		35,580
2024		35,580
2025		<u>23,720</u>
Total minimum lease payments		130,460
Less amount representing interest		<u>15,082</u>
Net present value of minimum lease payments	\$	<u>115,378</u>

Interest expense on the finance lease was \$8,721 in 2021 and \$10,404 in 2020 based on an interest rate of 6.70%. Amortization of the asset was \$20,000 in 2021 and 2020. Total cash paid for the finance lease was \$35,580 in 2021 and \$33,420 in 2020.

6. Deposits

Deposit account balances at December 31 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Noninterest-bearing	\$ 78,003,247	\$ 65,405,415
Interest-bearing demand	42,252,048	33,024,246
Money market	24,923,116	23,600,447
Savings	112,403,900	100,383,014
Time	<u>88,166,330</u>	<u>80,954,161</u>
Total	<u>\$ 345,748,641</u>	<u>\$ 303,367,283</u>

Time deposits in denominations of \$250,000 and over were \$32,111,519 and \$29,496,025 at December 31, 2021 and 2020, respectively.

At December 31, 2021, scheduled maturities of time deposits are as follows (in thousands):

2022	\$	31,759
2023		32,564
2024		9,863
2025		8,567
2026		<u>5,413</u>
Total	\$	<u>88,166</u>

7. Borrowed Funds

The Company has a \$1,500,000 unsecured line of credit agreement with the Atlantic Community Bankers Bank. Borrowings bear interest at the prime rate plus .50%, with a floor of 4.00%. The line expires July 2022. There were no borrowings at December 31, 2021 and 2020.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Company may borrow funds on a long-term basis from the FHLB up to the amount of eligible collateral (loans and securities) it places with the FHLB. At December 31, 2021, the Company had a net borrowing capacity of approximately \$56 million. There were no long-term borrowings at December 31, 2021 and 2020.

8. Income Taxes

The provision for income tax consists of the following:

	<u>2021</u>	<u>2020</u>
Current	\$ 458,044	\$ 525,308
Deferred	3,566	(22,392)
Total	<u>\$ 461,610</u>	<u>\$ 502,916</u>

The reconciliation between the expected statutory income tax provision and the actual provision for income tax is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Expected provision at statutory rate	\$ 523,800	21.0 %	\$ 566,160	21.0 %
Tax-exempt income	(62,153)	(2.5)	(70,479)	(2.6)
Other	(37)	0.0	7,235	.3
Actual provision and rate	<u>\$ 461,610</u>	<u>18.5 %</u>	<u>\$ 502,916</u>	<u>18.7 %</u>

The following temporary differences gave rise to the net deferred tax (liability) asset at December 31:

	<u>2021</u>	<u>2020</u>
Deferred compensation	\$ 867,687	\$ 855,134
Allowance for loan losses	235,673	133,552
Unrealized losses on available-for-sale securities	202,858	-
Other	95,381	89,252
Total deferred tax assets	<u>1,401,599</u>	<u>1,077,938</u>
Depreciation	(73,557)	(45,153)
Unrealized gains on available-for-sale securities	-	(296,687)
Deferred loan costs	(847,166)	(750,461)
Total deferred tax liabilities	<u>(920,723)</u>	<u>(1,092,301)</u>
Net deferred tax asset before valuation allowance	480,876	(14,363)
State valuation allowance	(54,774)	(55,514)
Net deferred tax asset (liability)	<u>\$ 426,102</u>	<u>\$ (69,877)</u>

The net deferred tax asset is included in other assets in 2021 and the net deferred tax liability is included in other liabilities in 2020.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Company has elected the option to deduct the net interest income on qualified loans from its New York State taxable income. The Company believes the amount of this deduction will exceed its New York State taxable income for the foreseeable future. As a result, the Company has determined the realization of its state deferred tax assets is not expected and has established a valuation allowance for the amount of the net state deferred tax assets.

The Company had no unrecognized tax benefits at December 31, 2021 and 2020. There were no interest and penalties recognized in the consolidated balance sheets and statements of income in 2021 and 2020.

9. Pension and Postretirement Benefits

The Company sponsors two defined contribution plans, a 401(k) plan and a non-leveraged employee stock ownership plan (ESOP) covering substantially all eligible Company employees. Eligible employees may defer and contribute a percentage of their annual earnings to the plans. In both the 401(k) and ESOP plans, the Company contributes 100% of the first 5% of compensation deferred. Pension expense for these plans was \$210,406 in 2021 and \$199,643 in 2020. The ESOP held 319,702 and 290,250 of the Company's stock at December 31, 2021 and 2020, with an estimated fair value of \$3,069,000 and \$2,431,000, respectively. The ESOP shares are eligible to receive dividends and are considered outstanding shares for purposes of computing net income per share.

The Company also has individual deferred compensation arrangements with certain key executives and directors which provide supplemental retirement benefits. The total of these obligations was \$3,602,346 and \$3,547,726 at December 31, 2021 and 2020, respectively. Deferred compensation expense was \$323,220 in 2021 and \$352,812 in 2020.

10. Related-Party Transactions

In the ordinary course of business, the Company has granted loans to principal officers, directors, significant shareholders (greater than 10%) and their business affiliates. Such transactions were made on substantially the same terms and at those rates prevailing at the same time for comparable transactions with other customers. The following table summarizes the activity in these loans:

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 649,872	\$ 615,974
New loans and other changes	1,335,042	367,414
Repayments and other changes	(186,719)	(333,516)
Balance, ending	<u>\$ 1,798,195</u>	<u>\$ 649,872</u>

Other changes result from the addition to or removal of individuals from the related party category.

The Company held deposits of \$566,699 and \$330,548 for related parties at December 31, 2021 and 2020, respectively.

A director of the Company provides professional legal services to the Company. Fees for these services were approximately \$61,600 in 2021 and \$43,300 in 2020.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

11. Financial Instruments With Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheet. The Company's exposure to credit loss is represented by the contractual amounts of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit may or may not be collateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans.

To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Company's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real estate. The Company has not incurred any losses on its commitments in either 2021 or 2020.

Financial instruments whose contract amount represents credit risk were as follows:

	<u>2021</u>	<u>2020</u>
Commitments to extend credit (including lines of credit)	\$ 29,527,601	\$ 27,553,641
Standby letters of credit	467,024	427,024

12. Fair Value Disclosures

Fair value is defined as an exit price representing the amount that would be received to sell an asset or settle a liability in an orderly transaction between market participants. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities;

Level 2 - Valuation is determined from quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 - Valuation is derived from model-based and other techniques in which at least one significant input is unobservable and which may be based on the Company's own estimates about the assumptions that a market participant would use to value the asset or liability.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Available-for-sale:				
U.S. government agencies	\$ -	\$ 21,561,274	\$ -	\$ 21,561,274
U.S. government sponsored enterprises, (GSE), mortgage-backed securities, residential	-	78,082,014	-	78,082,014
Local government obligations	-	2,319,878	-	2,319,878
Total	\$ -	\$ 101,963,166	\$ -	\$ 101,963,166

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Available-for-sale:				
U.S. government agencies	\$ -	\$ 20,135,570	\$ -	\$ 20,135,570
U.S. government sponsored enterprises, (GSE), mortgage-backed securities, residential	-	58,200,425	-	58,200,425
Local government obligations	-	3,657,320	-	3,657,320
Total	\$ -	\$ 81,993,315	\$ -	\$ 81,993,315

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

All debt securities are measured at fair value using quoted prices from an independent third party that provide valuation services, such as matrix pricing, for similar assets, with similar terms in actively traded markets.

The following table sets forth the Company's financial assets and liabilities subject to fair value adjustments on a nonrecurring basis by level within the fair value hierarchy:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Impaired loans, net	\$ -	\$ -	\$ 130,637	\$ 130,637

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Impaired loans, net	\$ -	\$ -	\$ 92,611	\$ 92,611

Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Such collateral is primarily real estate whose value is based on appraisals performed by certified appraisers. These values are generally adjusted based on management's knowledge of changes in market conditions or other factors. Since the adjustments may be significant, are based on management's estimates and are generally unobservable, they have been classified as Level 3.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The appraisals may be adjusted by management for qualitative reasons and estimated liquidation expenses. Management's assumptions may include consideration of location and occupancy of the property and current economic conditions. At December 31, 2021 and 2020, to account for these factors, negative adjustments to the appraisal value between 15-20% (weighted average of 15.4%) were made and liquidation expenses of 6% were assumed.

In addition to the disclosures of financial instruments recorded at fair value, U.S. GAAP requires the disclosure of the estimated fair value of all the Company's financial instruments. The majority of the Company's assets and liabilities are considered financial instruments. However, many of these instruments lack an available market. In addition, the Company's general practice and intent is to hold its financial instruments to maturity. The Company has considered the fair value measurement criteria as required under the accounting standard relating to fair value measurement as noted above. Fair value estimates have been determined based on the methodologies management considers most appropriate for each financial instrument.

	2021				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	\$ 8,223,218	\$ 8,223,218	\$ 8,223,218	\$ -	\$ -
Interest-bearing deposits with banks	37,570,000	37,570,000	-	37,570,000	-
Available-for-sale debt securities	101,963,166	101,963,166	-	101,963,166	-
Held-to-maturity debt securities	785,188	838,956	-	838,956	-
Restricted equity securities	328,400	328,400	-	328,400	-
Loans receivable, net	219,970,084	228,254,000	-	-	228,254,000
Accrued interest receivable	1,405,413	1,405,413	-	1,405,413	-
Financial liabilities:					
Deposits	345,748,641	345,896,311	-	345,896,311	-
Accrued interest payable	38,644	38,644	-	38,644	-
Off-balance sheet financial instruments:					
Commitments to extend credit	-	-	-	-	-
Standby letters of credit	-	-	-	-	-

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

	2020				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	\$ 9,187,666	\$ 9,187,666	\$ 9,187,666	\$ -	\$ -
Interest-bearing deposits with banks	33,348,000	33,348,000	-	33,348,000	-
Available-for-sale debt securities	81,993,315	81,993,315	-	81,993,315	-
Held-to-maturity debt securities	2,275,207	2,359,985	-	2,359,985	-
Restricted equity securities	304,300	304,300	-	304,300	-
Loans receivable, net	201,171,002	213,124,000	-	-	213,124,000
Accrued interest receivable	1,177,805	1,177,805	-	1,177,805	-
Financial liabilities:					
Deposits	303,367,283	304,469,123	-	304,469,123	-
Accrued interest payable	43,953	43,953	-	43,953	-
Off-balance sheet financial instruments:					
Commitments to extend credit	-	-	-	-	-
Standby letters of credit	-	-	-	-	-

The carrying value of short-term financial instruments, as listed below, approximates their fair value. These instruments generally have limited credit exposure, no stated or short-term maturities and carry interest rates that approximate market.

Assets	Liabilities
Cash and due from banks	Demand and savings deposits
Interest-bearing deposits with banks	Accrued interest payable
Accrued interest receivable	

The fair value methodology for available-for-sale debt securities was described previously. The fair value methodology for held-to-maturity debt securities is similar to the methodology for available-for-sale debt securities. The fair value of restricted equity securities is considered to approximate its carrying value as there is no market for these securities and the stock is redeemable at par value.

For short-term loans and variable rate loans which reprice within 90 days, the carrying value is considered to approximate fair value. For other types of loans, fair value was estimated by discounting cash flows using current market interest rates for similar loans, adjusted to reflect credit risk.

The fair value of interest-bearing time deposits is estimated by discounting contractual cash flows using current rates for instruments with similar maturities.

The fair value of commitments to extend credit is estimated using the fees currently charged for similar agreements. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of standby letters of credit is based on fees currently charged for similar agreements plus the estimated cost to terminate or otherwise settle the obligations. The fair value of these instruments is considered immaterial.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

13. Regulatory Matters

The Bank is subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the following table) of total capital, Tier 1 capital (as defined in the regulations) and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. A capital conservation buffer of 2.50%, comprised of common equity Tier I capital, is also established above the regulatory minimum capital requirements and must be maintained to avoid limitations on capital distributions.

In 2020, the Bank adopted the new community bank leverage ratio framework. This framework simplifies the regulatory capital requirements by requiring the Bank meet only the Tier 1 capital to average assets (leverage) ratio. The Bank must only maintain a leverage ratio greater than the 9% required minimum to be considered well capitalized under this framework. The Bank can opt out of the new framework and return to the risk-weighting framework at any time. In April 2020, the federal banking agencies temporarily reduced the minimum requirement to 8% for 2020, increasing to 8.50% for 2021, and returning to 9% for 2022 and thereafter.

Management believes, as of December 31, 2021, that the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2021, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum ratios as set forth in the following tables. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios are as follows:

	2021			
	Actual		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital (to average assets)	\$ 35,142	9.3 %	\$ 32,214	8.5 %

	2020			
	Actual		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital (to average assets)	\$ 33,145	9.8 %	\$ 27,009	8.0 %

The Federal Reserve Bank has established capital guidelines for bank holding companies. These guidelines allow small bank holding companies, as defined, an exemption from regulatory capital requirements. The Bank Corp. meets the eligibility criteria and is exempt from regulatory capital requirements.

Delhi Bank Corp. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Bank is subject to legal limitations on the amount of dividends that can be paid to the Bank Corp. without regulatory approval. Generally, the dividend limit is equal to the current and preceding two years net income less dividends paid during the same period. However, dividend payments would be prohibited if the effect would cause the Bank's capital to be reduced below minimum capital requirements as discussed above. The Bank's retained earnings available for dividends was approximately \$3,387,000 at December 31, 2021.

14. Dividend Reinvestment and Optional Cash Purchase Plan

In 2003, the Company established a Dividend Reinvestment and Optional Cash Purchase Plan (Plan) for its shareholders. The Plan is designed to provide the Company's stock at no transactional cost to its shareholders. Cash dividends paid to shareholders who are enrolled in the Plan plus voluntary cash deposits received are used to purchase shares either directly from the Company, from shares that become available in the open market or from the Company's previously acquired treasury stock. The Company has reserved 787,500 shares of its un-issued common stock for issuance under the Plan. Once these shares are issued, the Plan will terminate but there is no set termination date. Under Regulation A of the Securities Act of 1933, as amended, the Company may offer and sell up to \$20 million of eligible securities annually. The Company issued 42,015 shares of common stock in 2021 and 34,860 shares of common stock in 2020 directly from authorized but unissued shares of the Company, plus the Company sold 12,728 shares of treasury stock in 2021 and 11,486 shares of treasury stock in 2020 for a total of 54,743 and 46,346 shares in 2021 and 2020, respectively. As of December 31, 2021, there were 163,885 shares available for future issuance.

DELHI BANK CORP. & SUBSIDIARY

Delhi Bank Corp.

DIRECTORS

Paul J. Roach - Chairman of the Board

Michael E. Finberg

Bruce J. McKeegan

Peter V. Gioffe

Kristen L. Baxter

Kurt R. Mable

Michelle D. Catan

Jason J. Miller

OFFICERS

Peter V. Gioffe - President & CEO

Gretchen E. Rossley - Vice President

Bryan R. Boyer - Treasurer

Robin L. Hultenius - Secretary

The Delaware National Bank of Delhi Executive Officers

Peter V. Gioffe - President & CEO

Gretchen E. Rossley - Vice President, Chief Banking Officer

Deirdre A. Hillis - Vice President, Chief Lending Officer

Bryan R. Boyer - Vice President, Controller

Yvonne T. Haynes - Vice President, BSA Officer

Robin L. Hultenius - Vice President of Human Resources