



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

October 31, 2006

Community Reinvestment Act Performance Evaluation

**The Delaware National Bank of Delhi
Charter Number: 1323
124 Main Street, P. O. Box 508
Delhi, New York 13753-0508**

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NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **The Delaware National Bank of Delhi (DNBD)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 31, 2006**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "**Satisfactory**".

The primary factors supporting the overall rating are:

- The average loan-to-deposit ratio since the last examination is 51%.
- A substantial majority of all loans originated are within the bank's assessment area.
- A reasonable percentage of home purchase and refinances are to low- and moderate-income families.
- A majority of commercial loan originations are to small businesses and small farms.
- DNBD did not receive any CRA-related complaints during the evaluation period.

DESCRIPTION OF INSTITUTION

The Delaware National Bank of Delhi ("DNBD") is a \$152 million community bank headquartered in Delhi, New York, a town in the northern Catskill Mountains in central New York State. DNBD is the only subsidiary Delhi Bank Corp (DWNX), a one-bank holding company. DNBD is an intrastate bank with two (2) offices located in Delhi and Margaretville, Delaware County. DNBD has not closed any offices since the last examination, and has not been involved in any merger or acquisition activity since the last evaluation. As of September 30, 2006, DNBD had \$70 million in gross loans (45% of total assets) and \$127 million in deposits. The loan portfolio consists of \$29 million in residential real estate loans (41% of gross loans), \$26 million in commercial and commercial real estate loans including farm and farm real estate loans (37% of gross loans), \$11 million in home equity lines of credit (16% of gross loans) and \$4 million in consumer loans (6% of gross loans).

DNBD is reasonably positioned to help meet the credit needs of the community. The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community.

DNBD competes directly with three other independent national banks headquartered in Delaware County, a larger community bank headquartered in neighboring Otsego County, a regional bank headquartered in nearby Chenango County, a credit union, branches from multinational banks, as well as, non-bank mortgage companies.

We last evaluated DNBD's performance under the CRA as of May 14, 2001, which resulted in a "Satisfactory" rating. The previous report used lending data through March 31, 2001. The time period for this public evaluation spans from April 1, 2001 through October 31, 2006.

DESCRIPTION OF THE ASSESSMENT AREA

DNBD has defined one assessment area (AA) which consists of eight geographies located within Delaware County. The AA is very rural and is not located within a Metropolitan Statistical Area (MSA). The AA consists of seven middle-income geographies (87.5%) and one upper-income geography (12.5%). The AA meets all regulatory guidelines with no low or moderate-income areas being arbitrarily excluded.

The AA's twenty-four thousand residents represent six (6) thousand families with the following family income distribution: 19% low-income, 20% moderate-income, 23% middle-income, and 38% upper-income. Households living below poverty level represent 12% of all households in the AA. The 2000 U. S. Census median family income, used to determine the distribution of geographies, is \$41,761. The Housing and Urban Development (HUD) updated non-MSA statewide median family income for 2006, used to determine borrower income distribution, is \$49,600. Owner-occupied units represent 49% of total housing units, rental units represent 14% of total housing units, and 37% are vacant. The average housing cost in the AA is \$82 thousand.

According to the New York State Department of Labor, the unemployment rate in Delaware County as of September 30, 2006 is 3.8%. In comparison, the unemployment rate for counties

outside MSAs is 4.2% and for all of New York State is 4.2%.

During the examination, we contacted a person involved with community development in Delaware County. Our contact indicated that growth in the area is stifled by the restrictions by the New York City Watershed. Furthermore, the area is somewhat dependent on seasonable businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our examination focused on loans originated between January 1, 2004 and June 30, 2006. An evaluation of the bank's lending data and discussions with management indicated DNBD's primary product lines to be home purchase loans, refinances, commercial/farm loans and commercial/farm real estate loans. The findings detailed below are based on a review of all home purchase and refinances and a sample of 27 commercial/farm and commercial/farm real estate loans, collectively referred to as "commercial loans" in subsequent paragraphs.

Loan to Deposit Ratio

DNBD's loan-to-deposit ratio meets the standard for satisfactory performance. DNBD's average loan-to-deposit ratio for the last 21 quarters is 51%. This is consistent with similarly situated banks active in the AA whose average ratios range from 48% to 61%. Similarly situated banks include two national banks with assets less than \$300 million who are actively competing in the AA.

Lending in the Assessment Area

DNBD meets the standard for satisfactory performance for lending in the assessment area (AA) with 75% of both the count and amount of loans originated within the AA.

Product	Inside the AA				Total Originations	
	Count	%	Amount (in 000s)	%	Count	Amount (in 000s)
Home Purchase	82	71%	\$6,362	76%	115	\$8,403
Refinances	145	77%	\$11,001	76%	188	\$14,482
Commercial	20	74%	\$1,041	67%	27	\$1,560
Totals	247	75%	\$18,403	75%	330	\$24,445

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

DNBD's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. Based on the number of loans originated, home purchase loans and refinances to low-income borrowers of 13.41% and 10.34%, respectively, compares favorably to the low-income family distribution in the area of 18.55% when considering that 12% of the households in the AA are living below the poverty level. Based on the number of loans originated, home purchase loans and refinances to moderate income-borrowers of 20.73% and 25.52%, respectively, also compares favorably to the moderate-income family distribution in the area of 20.48%. Refer to the table on the next page for more information.

Borrower Distribution for Home Purchase Loans and Refinances									
	Home Purchase Loans				Refinances				Family Distribution
	Count	Cnt/Total	Amount	Amt/Total	Count	Cnt/Total	Amount	Amt/Total	
Low	11	13.41%	\$418	6.57%	15	10.34%	\$1,072	9.74%	18.55%
Moderate	17	20.73%	\$860	13.52%	37	25.52%	\$2,310	21.00%	20.48%
Middle	17	20.73%	\$981	15.42%	35	24.14%	\$2,055	18.68%	23.24%
Upper	31	37.80%	\$3,625	56.98%	47	32.41%	\$4,642	42.20%	37.72%
NA	6	7.32%	\$478	7.51%	11	7.59%	\$922	8.38%	00.00%
Total	82	100.00%	\$6,362	100.00%	145	100.00%	\$11,001	100.00%	100.00%

Note: Amounts are in (000's)

Lending to businesses of different sizes compares favorably to the revenue distribution of businesses in the AA with 80% of the number of loans in the sample to businesses/farms with \$1 million or less in revenues.

Lending to Businesses of Different Sizes					
Revenues	Count	%	Amount (in 000s)	%	Revenue Distribution Of Businesses in the AA
<=\$1MM	16	80%	\$733	70%	61%
\$1MM+	4	20%	\$308	30%	4%
Did not report	0	0%	\$0	0%	35%
Total	20	100%	\$1,041	100%	100%

Geographic Distribution of Loans

DNBD's AA does not include any low- or moderate-income geographies. Therefore, an evaluation of the geographic distribution of loans would not be meaningful.

Response to Complaints

DNBD has not received any CRA-related consumer complaints since the last CRA examination.

Results of the Fair Lending Examination

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.