ANNUAL REPORT 2020

Rhinebeck Bancorp, Inc.

Letter from the CEO

I am pleased to present Rhinebeck Bancorp, Inc.'s 2020 Annual Report.

From a work perspective, this past year has been the most challenging of my entire career, as I imagine it was for most everyone. What I am most proud of is our team's response throughout the pandemic. From keeping branches operating to serve our customers, to processing an incredible number of Paycheck Protection Program (PPP) loans, to generating residential mortgages at a record pace, and to pivoting to a work-from-home environment, all while keeping all back-office functions operating fully and efficiently, everyone performed brilliantly serving our customers, teammates, communities, and shareholders!
An initial challenge centered around a technology shift as we went from a handful of employees being able to work remotely to nearly all back-office employees equipped to work from home in roughly one week. Our ability to pivot so quickly and effectively was truly impressive. Our branches went to drive-thru only services for the most part, while maintaining a safe and sanitary environment for customers and employees. Though normal lending activities ground to an early halt, the efforts by the entire Bank to serve our customers through the U.S. Small Business Administration's PPP loan program were incredible.

Through tireless efforts of our team, we made 674 PPP loans totaling $92 million to our customers in 2020. Additionally, we also processed and approved 2,357 deferral requests from customers, modifying their payments to enable customers to adjust to their changing financial circumstances brought on by the pandemic. Combined, these activities helped many commercial and consumer customers survive the pandemic and keep their businesses operating and families financially secure.

Throughout the year, financial performance was impacted by higher-than-expected provisions for loan losses, with a provision of $7.1 million for the year, which is significantly higher than our $2.5 million provision in 2019. The increase was due to qualitative adjustments to our loss estimates stemming from the uncertainty created by the pandemic as businesses and consumers were impacted by the severe shutdowns created by our government's response to the situation. Nevertheless, there were positive improvements in many performance measures.

Highlights from our performance in 2020 include:

- Total assets grew $154.9 million, or 15.9%, from 2019 to $1.13 billion.
- Total deposit balances increased $156.0 million, or 20.2%, from 2019 to $929.4 million.
- Net loans increased by $80.3 million, or 10.1%, from 2019 to $873.8 million.
- Our efficiency ratio improved 8.7%, to 67.29% from 73.73% in 2019.

Our planned branch expansion efforts in Orange County continued during the year. We were the successful bidder to acquire two locations in Monroe and Warwick from New Jersey-based ConnectOne Bank. This acquisition, which closed on March 12, 2021, added more than $35 million in deposits and provided an opportunity for additional growth. We also received regulatory approvals to open two new branches in the City of Newburgh and the Middletown/Wallkill area. These four locations, along with our existing Goshen branch, will enable us to bring our relationship-based banking model throughout the Orange County market.

As we continue working through the challenges of the pandemic, I am heartened to know our team will face them with same ICARE core values we used to get through 2020 – **I**ntegrity, **C**ommunity, **A**ccountability, **R**espect and **E**mpathy. We remain hopeful for better times in the months ahead and look forward to a return to normalcy.

I would like to thank our customers, employees, investors, and Board of Directors for their commitment to our success. It is my sincere hope that you and your loved ones remain safe and healthy during this time.

Michael J. Quinn
President & CEO
Rhinebeck Bancorp Inc.
Rhinebeck Bank

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Fiscal Year Ended December 31, 2020

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission File No. 001-38779

Rhinebeck Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Maryland **(State or other jurisdiction of incorporation or organization)**	**83-2117268** **(I.R.S. Employer Identification Number)**
2 Jefferson Plaza, Poughkeepsie, New York **(Address of Principal Executive Offices)**	**12601** **(Zip Code)**

(845) 454-8555
(Registrant's telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	RBKB	The NASDAQ Stock Market, LLC

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of March 1, 2021, there were 11,133,290 shares issued of the Registrant's Common Stock of which 6,345,975 are owned by Rhinebeck Bancorp, MHC.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on at the end of the most recently completed second quarter was $27,601,220.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement, in connection with its 2021 annual meeting of stockholders, to be filed within 120 days of December 31, 2020, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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EXPLANATORY NOTE

Rhinebeck Bancorp, Inc. (the "Company," "we" or "our") was formed to serve as the mid-tier stock holding company for Rhinebeck Bank in connection with the reorganization of Rhinebeck Bank and its mutual holding company, Rhinebeck Bancorp, MHC, into the two-tier mutual holding company structure. The reorganization was completed on January 16, 2019. Prior to January 16, 2019, the Company had no assets or liabilities and had not conducted any business activities other than organizational activities. Accordingly, the unaudited financial statements and other financial information contained in this annual report on Form 10-K relate solely to the consolidated financial results and financial position of Rhinebeck Bancorp, MHC and Rhinebeck Bank for any period prior to January 16, 2019.

Forward Looking Statements

This annual report on Form 10-K contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect," "intend," "predict," "forecast," "improve," "continue," "will," "would," "should," "could," "may" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Forward looking statements, by their nature, are subject to risks and uncertainties.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market area, that are worse than expected, including as a result of the ongoing coronavirus pandemic;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to continue to implement our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in market interest rates that reduce our margins and yields, reduce the fair value of financial instruments or reduce our volume of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make whether held in portfolio or sold in the secondary market;

- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees, Federal Deposit Insurance Corporation premiums and capital requirements;
- our ability to manage market risk, credit risk and operational risk;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- the imposition of tariffs or other domestic or international governmental polices impacting the value of the agricultural or other products of our borrowers;
- our ability to successfully integrate into our operations any assets, liabilities or systems we may acquire, as well as new management personnel or customers, and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- system failures or cybersecurity threats against our informational technology and those of our third party providers and vendors;
- the failure to maintain current technologies and to successfully implement future information technology enhancements;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Further, given its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID-19 outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated and whether the gradual reopening of businesses will result in a meaningful increase in economic activity. As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline, making it difficult to grow assets and income;
- if the economy is unable to substantially reopen, and high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- our allowance for loan losses may have to be increased if borrowers experience financial difficulties, which will adversely affect our net income;

- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;
- as the result of the decline in the Federal Reserve Board's target federal funds rate to near 0%, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities, reducing our net interest margin, spread and net income;
- our investment advisory fees may decline with continuing market turmoil;
- our cyber security risks are increased as the result of an increase in the number of employees working remotely;
- Federal Deposit Insurance Corporation ("FDIC") premiums may increase if the agency experiences additional resolution costs; and
- we may face litigation, regulatory enforcement and reputation risk as a result of our participation in the U.S. Small Business Administration ("SBA") Paycheck Participation Program ("PPP") and the risk that the SBA may not fund some or all PPP loan guaranties.

Moreover, our future success and profitability substantially depends on the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key employees due to the outbreak could harm our ability to operate our business or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please also see "Item 1A. Risk Factors."

PART I

Item 1. Business

Rhinebeck Bancorp, Inc.

Rhinebeck Bancorp, Inc., (the "Company") a Maryland corporation, was incorporated in August 2018. On January 16, 2019, the Company became the holding company for Rhinebeck Bank (the "Bank"), when it closed its stock offering in connection with the completion of the reorganization of the Company and the Bank into a two-tier mutual holding company form of organization. The Company sold 4,787,315 shares of common stock at a price of $10.00 per share, for net proceeds of $46.0 million, and issued 6,345,975 shares to Rhinebeck Bancorp, MHC in exchange for certain assets (including all of the stock of its subsidiary trust and associated subordinated debentures) and its interest in the Bank. Prior to January 16, 2019, the Company had engaged in organizational activities only. The Company is regulated by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and the New York State Department of Financial Services (the "NYSDFS"). The consolidated financial results contained herein reflect the consolidated accounts of the Company and the Bank at and for periods after January 16, 2019.

At December 31, 2020, the Company had consolidated total assets of $1.13 billion, total deposits of $929.4 million and stockholders' equity of $116.5 million. The Company's executive offices are located at 2 Jefferson Plaza, Poughkeepsie, New York 12601. The telephone number at this address is (845) 454-8555. Our website address is www.Rhinebeckbank.com. Information on this website is not and should not be considered a part of this report.

Rhinebeck Bancorp, Inc. files interim, quarterly and annual reports with the Securities and Exchange Commission (the "SEC"). The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers such as Rhinebeck Bancorp, Inc. that file electronically with the SEC. All filed SEC reports and interim filings can also be obtained from the Bank's website (www.Rhinebeckbank.com), on the "Investor Relations" page, without charge from Rhinebeck Bancorp, Inc.

Rhinebeck Bancorp, MHC

Rhinebeck Bancorp, MHC is a mutual holding company that owns 57% of the outstanding common stock of Rhinebeck Bancorp, Inc. Prior to the completion of the reorganization and stock offering on January 16, 2019, the Bank was the wholly-owned subsidiary of Rhinebeck Bancorp, MHC. The consolidated financial results contained herein reflect the consolidated accounts of Rhinebeck Bancorp, MHC and the Bank for periods prior to January 16, 2019.

Rhinebeck Bank

Rhinebeck Bank is a New York-chartered stock savings bank that was organized in 1860. Rhinebeck Bank reorganized into the mutual holding company form of organization in 2004 by becoming a wholly-owned subsidiary of Rhinebeck Bancorp, MHC and converting to a stock savings bank as part of the reorganization. The Bank provides a full range of banking and financial services to consumer and commercial customers through its 11 branches and two representative offices located in Dutchess, Ulster, Orange, and Albany counties. Financial services including, investment advisory and financial product sales, are offered through a division of the Bank doing business as Rhinebeck Asset Management ("RAM"). The Bank's primary business activity is accepting deposits from the general public and using those funds, primarily to originate indirect automobile loans (automobile loans referred to us by automobile dealerships), commercial real estate loans (which includes multi-family real estate loans and commercial construction loans), commercial business loans and one- to four-family residential real estate loans, and to purchase investment securities. The Bank is subject to regulation and examination by the NYSDFS and by the FDIC.

Market Area

Our primary market area encompasses Dutchess, Orange and Ulster Counties (and their contiguous counties), which are located in the Hudson Valley region of New York. Our retail banking offices are located in these three counties and serve the surrounding areas. The Hudson Valley region has a diversified economy and representative industries include education, health, government, leisure and hospitality and professional business services. We also maintain a representative office in Albany County to originate indirect automobile loans. We view Orange and Albany Counties, which have larger populations than Dutchess and Ulster Counties, as primary areas for growth.

Based on published statistics, the U.S. unemployment rate was 6.7%, while the New York State unemployment rate was 8.2% as of December 31, 2020. The four counties in our primary market area each had a lower unemployment rate than New York State as a whole (Dutchess County, 5.4%; Orange County, 5.9%, Ulster County, 5.4% and Albany County, 5.5%). According to the New York State Department of Labor, for the twelve-month period ended December 31, 2020, the Hudson Valley's private sector job growth decreased by 9.2%. Over the year, the job losses continue to reflect the impact of the COVID-19 pandemic. Based on published statistics, median household income for 2019 (the latest date for which information was available) was $81,219 in Dutchess County, $79,944 in Orange County, $64,304 in Ulster County and $66,252 in Albany County, compared to $62,843 in the U.S. and $68,486 in New York State as a whole. Based on published statistics, the 2019 population was 294,218 in Dutchess County, 384,940 in Orange County, 177,573 in Ulster County and 305,506 in Albany County.

Competition

We face significant competition for deposits and loans. Our most direct competition for deposits has historically come from the numerous financial institutions operating in our market area (including other community and commercial banks and credit unions), many of which are significantly larger than we are and have greater resources. We also face competition for investors' funds from other sources such as brokerage firms, money market funds and mutual funds, as well as securities, such as Treasury bills, offered by the Federal Government. Based on Federal Deposit Insurance Corporation data, at June 30, 2020 (the latest date for which information is available), we had 10.86% of the FDIC-insured deposit market share in Dutchess County, which was 4th among the 15 institutions with offices in the county, 1.62% of the FDIC-insured deposit market share in Ulster County, which was 14th among the 19 institutions with offices in the county, and 0.24% of the FDIC-insured deposit market share in Orange County, which was 21st among the 24 institutions with offices in the county. In all three counties, New York City money center banks or large regional banks have a significant presence.

Our competition for loans comes primarily from the competitors referenced above and from other financial service providers, such as mortgage companies, mortgage brokers and credit unions. Competition for loans also comes from the increasing number of non-depository financial service companies participating in the mortgage market, such as insurance companies, securities companies, specialty finance firms and financial technology companies.

We expect competition to remain intense in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Technological advances, for example, have lowered barriers to entry, allowed banks to expand their geographic reach by providing services over the internet and made it possible for non-depository institutions, including financial technology companies, to offer products and services that traditionally have been provided by banks. Competition for deposits and the origination of loans could limit our growth in the future.

We seek to meet this competition by the convenience of our branch locations, emphasizing personalized banking and the advantage of local decision-making in our banking businesses. Specifically, we promote and maintain relationships and build customer loyalty within local communities by focusing our marketing and community involvement on the specific needs of individual neighborhoods. We do not rely on any individual, group, or entity for a material portion of our deposits.

Lending Activities

General.

Loans are our primary interest-earning asset. At December 31, 2020, net loans represented 77.4% of our total assets.

Loan Portfolio Composition.

The following table sets forth the composition of the loan portfolio at the dates indicated.

	At December 31,									
	2020		2019		2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Residential Real Estate Loans[1][2]	$ 39,239	4.48 %	$ 43,726	5.54 %	$ 43,534	6.43 %	$ 43,300	7.65 %	$ 40,382	7.86 %
Commercial Real Estate Loans:										
Non-residential	248,349	28.33 %	228,157	28.90 %	197,499	29.17 %	192,469	33.98 %	171,563	33.39 %
Multi-family	30,379	3.46 %	20,129	2.55 %	12,661	1.87 %	13,103	2.31 %	6,788	1.32 %
Construction[3]	5,392	0.61 %	20,354	2.58 %	12,870	1.90 %	5,621	0.99 %	13,420	2.61 %
Total	284,120	32.41 %	268,640	34.03 %	223,030	32.94 %	211,193	37.28 %	191,771	37.32 %
Commercial Loans:[4]	154,016	17.57 %	90,554	11.47 %	83,203	12.29 %	67,650	11.95 %	56,871	11.07 %
Consumer Loans:										
Indirect automobile	376,260	42.92 %	360,569	45.67 %	297,144	43.89 %	214,823	37.93 %	195,343	38.02 %
Home equity	14,165	1.62 %	16,276	2.06 %	19,269	2.85 %	19,452	3.44 %	20,798	4.05 %
Other consumer	8,816	1.01 %	9,752	1.23 %	10,826	1.60 %	9,929	1.75 %	8,615	1.68 %
Total	399,241	45.54 %	386,597	48.96 %	327,239	48.34 %	244,204	43.12 %	224,756	43.75 %
Total loans receivable, gross	876,616	100.00 %	789,517	100.00 %	677,006	100.00 %	566,347	100.00 %	513,780	100.00 %
Net deferred loan origination fees	8,830		9,908		8,042		5,288		4,690	
Allowance for loan losses	(11,633)		(5,954)		(6,646)		(5,457)		(5,876)	
Loans receivable, net	$ 873,813		$ 793,471		$ 678,402		$ 566,178		$ 512,594	

(1) Includes residential construction loans totaling $3.3 million, $4.2 million, $4.6 million, $3.0 million and $5.1 million at December 31, 2020, 2019, 2018, 2017 and 2016, respectively.
(2) Includes loans held for sale totaling $2.7 million, $2.7 million, $888,000, $2.1 million and $482,000 at December 31, 2020, 2019, 2018, 2017 and 2016, respectively.
(3) Represents the amounts distributed at the dates indicated.
(4) Includes $75,366 in SBA PPP loans at December 31, 2020.

Loan Portfolio Maturities. The following tables set forth certain information at December 31, 2020 and 2019 regarding the dollar amount of loans that will mature in the given period. The tables do not include any estimate of prepayments that significantly shorten the average loan life and may cause actual repayment experience to differ from that shown below. Demand loans, which are loans having no stated repayment schedule or no stated maturity, are reported as due in one year or less.

	At December 31, 2020				
	Residential Real Estate Loans	Commercial Real Estate Loans	Commercial Loans	Consumer Loans	Total Loans
			(In thousands)		
Amounts due in:					
One year or less	$ 3,287	$ 4,542	$ 32,706	$ 4,700	$ 45,235
More than one year through two years	—	6,831	76,129	18,086	101,046
More than two years through three years	233	2,197	9,512	46,790	58,732
More than three years through five years	465	18,224	20,631	200,218	239,538
More than five years through ten years	3,590	48,193	14,263	117,369	183,415
More than ten years through 15 years	5,187	41,779	417	3,157	50,540
More than 15 years	26,477	162,354	358	8,921	198,110
Total	$ 39,239	$ 284,120	$ 154,016	$ 399,241	$ 876,616

	At December 31, 2019				
	Residential Real Estate Loans	Commercial Real Estate Loans	Commercial Loans	Consumer Loans	Total Loans
			(In thousands)		
Amounts due in:					
One year or less	$ 4,215	$ 23,741	$ 35,133	$ 4,480	$ 67,569
More than one year through two years	39	1,218	5,361	15,475	22,093
More than two years through three years	—	6,025	7,850	35,896	49,771
More than three years through five years	922	15,643	21,940	179,750	218,255
More than five years through ten years	4,328	39,283	19,172	136,843	199,626
More than ten years through 15 years	4,457	53,327	544	4,190	62,518
More than 15 years	29,765	129,403	554	9,963	169,685
Total	$ 43,726	$ 268,640	$ 90,554	$ 386,597	$ 789,517

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2020 that are contractually due after December 31, 2021. The amounts shown below exclude unearned loan origination fees.

	Fixed Rates	Floating or Adjustable Rates	Total
		(In thousands)	
Residential real estate loans	$ 19,252	$ 16,700	$ 35,952
Commercial real estate loans	33,385	246,193	279,578
Commercial loans	108,833	12,477	121,310
Consumer loans	380,927	13,614	394,541
Total	$ 542,397	$ 288,984	$831,381

Indirect Automobile Loans.

We have been in the business of providing indirect financing of automobile purchases since 1999. At December 31, 2020, indirect automobile loans totaled $376.3 million, or 42.9% of our total loan portfolio. We acquire our indirect automobile loans from 91 automobile dealerships located in the Hudson Valley region and 55 dealers located in the Albany area, either under an arrangement where the dealer receives a flat fee for referring the loan to us or receives a portion of the finance charge which is known as dealer participation or dealer reserve. We typically pay 70% of the reserve to the dealer at the time of loan closing and retain the remainder to cover potential future prepayments. 48.9% of the aggregate principal balance of our indirect automobile loan portfolio as of December 31, 2020 was for the purchase of new vehicles and the remainder, 51.1%, was for used vehicles. The weighted average original term to maturity of our indirect automobile loan portfolio at December 31, 2020 was five years and nine months.

Each dealer that originates automobile loans makes representations and warranties with respect to our security interests in the related financed vehicles in a separate dealer agreement with us. These representations and warranties do not relate to the creditworthiness of the borrowers or the collectability of the loan. The dealers are also responsible for ensuring that our security interest in the financed vehicles is perfected. Each automobile loan requires the borrower to keep the financed vehicle fully insured against loss or damage by fire, theft and collision. The dealer agreements require the dealers to represent that adequate physical damage insurance (collision and comprehensive) was in effect at the time the related loan was originated and financed by us. In addition, we have the right to "force place" insurance coverage (supplemental insurance taken out by Rhinebeck Bank) if the required physical damage insurance on an automobile is not maintained by the borrower. Nevertheless, there can be no assurance that each borrower will maintain physical damage insurance for a financed vehicle during the entire term of an automobile loan. Vendors Single Interest Insurance, which is included on every automobile loan originated, protects the Bank against losses for physical damage to repossessed automobiles.

Each dealer submits loan applications directly to us, and the borrower's creditworthiness is the most important criterion we use in determining whether to approve the loan. Each credit application generally requires that the borrower

provide current information regarding their employment history, indebtedness, and other factors that bear on creditworthiness. We also obtain a credit report from a major credit reporting agency summarizing the borrower's credit history and paying habits, including such items as open accounts, delinquent payments, bankruptcies, repossessions, lawsuits and judgments.

Each borrower's credit score is the principal factor we use in determining the appropriate interest rate on a loan. Our underwriting procedures evaluate the credit information relative to the value of the vehicle to be financed. At times, our underwriters may also verify a borrower's employment income and/or residency and, where appropriate, verify a borrower's payment history directly with the borrower's creditors. Based on these procedures, a credit decision is considered. We basically follow the same underwriting guidelines in originating direct automobile loans.

We generally finance up to the full sales price of the vehicle plus sales tax, dealer preparation fees, license fees and title fees, plus the cost of service and warranty contracts (amounts in addition to the sales price are collectively referred to as the "additional vehicle costs"). In addition, we also may finance the negative equity related to the vehicle traded in by the borrower in connection with a prior financing. Accordingly, the amount we finance may exceed, depending on the borrower's credit score, in the case of new vehicles, the aggregate of the dealer's invoice price of the financed vehicle and the additional vehicle costs, or in the case of a used vehicle, the aggregate of the vehicle's value and the additional vehicle costs. The maximum amount that can be borrowed for an automobile loan by borrowers with our lowest risk rating generally may not exceed 135% of the full sales price of a new vehicle, or the vehicle's "wholesale" value in the case of a used vehicle. The vehicle's value is determined by using one of the standard reference sources for dealers of used cars. We regularly review the quality of the loans we purchase from the dealers and periodically conduct quality control audits to ensure compliance with our established policies and procedures.

At December 31, 2020, our automobile loans to borrowers with credit scores of 639 or less at origination totaled $44.6 million, or 11.9% of our total indirect automobile loan portfolio. We typically will not originate these types of loans with loan-to-value ratios greater than 100% of the sales price of the automobile or debt-to-income ratios greater than 40%.

Commercial Real Estate Loans.

At December 31, 2020, non-residential commercial real estate loans were $248.3 million, or 28.3%, of our total loan portfolio. Our commercial real estate loans are generally secured by properties used for business purposes, such as office buildings, industrial facilities and retail facilities. At December 31, 2020, $109.7 million of our commercial real estate portfolio was owner-occupied real estate and $174.4 million was secured by income producing, non-owner occupied real estate. At December 31, 2020, substantially all of our commercial real estate loans were secured by properties located in our market area. However, occasionally we will originate commercial real estate loans on properties located outside this area based on an established relationship with a strong borrower. We had $11.3 million of such loans at December 31, 2020.

We originate a variety of commercial real estate loans with terms and amortization periods generally up to 25 years, for large newly constructed commercial developments, including retail plazas and up to 20 years for almost all other commercial properties. The interest rate on commercial real estate loans is generally adjustable and based on a margin over an index, typically The Wall Street Journal Prime Rate or the U.S. Constant Maturity Treasury Rate. Commercial real estate loans are generally originated in amounts up to 75% of the appraised value or the purchase price of the property securing the loan, whichever is lower.

In underwriting commercial real estate loans, we consider a number of factors, including the projected net cash flows to the loan's debt service requirement (generally requiring a minimum of 1.20x), the age and condition of the collateral, the financial resources and income level of the borrower and the borrower's experience in owning or managing similar properties. Where appropriate, we also require corporate guarantees and/or personal guarantees. We monitor borrowers' and guarantors' financial information on an ongoing basis by requiring periodic financial statement updates.

At December 31, 2020, our largest commercial real estate loan had an outstanding balance of $8.8 million and was secured by a retail shopping center located in Wappingers Falls, New York. At December 31, 2020, this loan was performing according to its original terms.

Commercial Business Loans.

We originate commercial business loans and lines of credit to a variety of small- and medium-sized businesses in our market area. Our commercial business borrowers include professional organizations, family-owned businesses, and not-for-profit organizations. These loans are generally secured by business assets and we may require support of this collateral with liens on real property. At December 31, 2020, commercial business loans were $154.0 million, or 17.6% of our total loan portfolio. At December 31, 2020, commercial business loans included $75.4 million of SBA PPP loans. We encourage our commercial business borrowers to maintain their primary deposit accounts with us, many of which are non-interest-bearing, which improves our overall interest rate spread and profitability.

Our commercial business loans include term loans and revolving lines of credit. Commercial loans and lines of credit are made with either variable or fixed rates of interest. Variable interest rates are based on a margin over an index we select, typically The Wall Street Journal Prime Rate or the U.S. Constant Maturity Treasury Rate. Commercial business loans typically have shorter terms to maturity and higher interest rates than commercial real estate loans, but may involve more credit risk because of the type of collateral and our reliance primarily on the success of a borrower's business for the repayment of the loan.

When making commercial business loans, we consider the financial history of the borrower, our lending experience with the borrower, the debt service capabilities and global cash flows of the borrower and other guarantors, and the value of the collateral, such as accounts receivable, inventory and equipment. Depending on the collateral used to secure the loans, commercial business loans are made in amounts up to 90% of the value of the collateral securing the loan. We require commercial business loans extended to closely held businesses to be guaranteed by the principals, as well as other appropriate guarantors, when personal assets are in joint names or a principal's net worth is not sufficient to support the loan.

Commercial business loans include participations we purchase from a single, board-approved third party in leveraged lending transactions. Leveraged lending transactions are generally used to support a merger- or acquisition-related transaction, to back a recapitalization of a company's balance sheet or to refinance debt. When considering a participation in the leveraged lending market, we will participate only in first lien senior secured term loans and lines of credit that are more closely aligned to middle market transactions. To further minimize risk, based on our current capital levels and loan portfolio, we have limited the total amount of leveraged loans to $1.0 million with a single obligor while maintaining that the total of all leveraged loans cannot exceed more than 15% of our risk-based capital. We also monitor industry and customer concentrations. At December 31, 2020, our leverage loans totaled $5.1 million, all of which were performing in accordance with their contractual terms.

At December 31, 2020, our largest commercial business loan had an outstanding balance of $3.4 million and was secured by accounts receivable and inventory. At December 31, 2020, this loan was performing according to its original terms.

Residential Mortgage and Residential Construction Loans.

Our one- to four-family residential loan portfolio consists of mortgage loans that enable borrowers to purchase or refinance existing homes, most of which serve as the primary residence of the borrower. At December 31, 2020, one- to four-family residential real estate loans totaled $39.2 million, or 4.5% of our total loan portfolio, and consisted of $22.5 million of fixed-rate loans and $16.7 million of adjustable-rate loans. Most of these one- to four-family residential properties are located in our primary market area. We will consider originating one- to four-family residential real estate loans secured by properties located outside our normal lending area on a case by case basis, preferably to preexisting customers with a relationship of one year or longer, and provided the property is located in New York.

We offer fixed-rate and adjustable-rate residential mortgage loans with maturities up to 30 years. The one- to four-family residential mortgage loans that we originate are generally underwritten according to Freddie Mac guidelines, and we refer to loans that conform to such guidelines as "conforming loans." Loans to be sold to other approved investors or secondary market sources are underwritten to their specific requirements. We originate both fixed- and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits. To a lesser extent, we also originate loans above the conforming limits, which are referred to as "jumbo loans." We usually underwrite jumbo loans, whether originated or purchased, in a manner similar to conforming loans.

Generally, we sell all of the fixed-rate residential mortgage loans that we originate to reduce our interest rate risk exposure and generate fee income. The majority of mortgage loans we originate are sold to Freddie Mac on a servicing rights retained basis. We also originate State of New York Mortgage Agency ("SONYMA") loans, which are sold on a servicing released basis. We may retain in our portfolio certain high quality fixed-rate mortgages with terms up to 30 years if we believe the interest rates on the mortgages are favorable or acceptable relative to market interest rates. We sold $95.0 million and $48.2 million of fixed-rate residential mortgages during the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, we serviced $300.7 million of one- to four-family residential mortgage loans for others. We generated $591,000 and $605,000 in loan servicing fee income during the years ended December 31, 2020 and 2019, respectively.

We will originate one- to four-family residential mortgage loans with loan-to-value ratios of up to 80% of the appraised value, depending on the size of the loan. Our conforming mortgage loans may be for up to 97% of the appraised value of the property provided the borrower obtains private mortgage insurance. Additionally, mortgage insurance is required for all mortgage loans that have a loan-to-value ratio greater than 80%. The required coverage amount varies based on the loan-to-value ratio and term of the loan. We only permit borrowers to purchase mortgage insurance from companies that have been approved by Freddie Mac or Fannie Mae. We maintain wholesale broker relationships that give us a wider range of products to better serve our existing customers and to attract new customers for our mortgage loan products. These wholesale relationships provide us access to government-backed loan programs such as Federal Housing Administration and Department of Veterans Affairs financing.

We do not offer "interest only" mortgage loans on one- to four-family residential properties or loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. Additionally, we do not offer "subprime loans" (loans that are made with low down-payments to borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (defined as loans having less than full documentation).

We originate loans to finance the construction of one- to four-family residential properties. We also originate rehabilitation loans, enabling the borrower to partially or totally refurbish an existing structure, which are structured as construction loans and monitored in the same manner. At December 31, 2020, residential construction loans totaled $3.3 million, or 8.4% of our residential mortgage loan portfolio. Most of these loans are secured by properties located in our primary market area.

Our residential land and acquisition loans are generally structured as two-year interest-only balloon loans. The interest rate is generally a fixed rate based on an index rate, plus a margin. Our construction-to-permanent loans are generally structured as interest-only, one-year, fixed-rate loans during the construction phase. Construction loan-to-value ratios for one- to four-family residential properties generally will not exceed 80% of the appraised value on a completed basis or the cost of completion, whichever is less, during the construction phase of the mortgage. Once the construction project is satisfactorily completed, we provide permanent financing or sell the permanent mortgage to an investor like Freddie Mac.

Before making a commitment to fund a construction loan, we generally require an appraisal of the property by an independent licensed appraiser. The construction phase is carefully monitored to minimize our risk. All construction projects must be completed in accordance with approved plans and approved by the municipality in which they are located. Loan proceeds are disbursed periodically in increments as construction progresses and as inspections by our approved inspectors warrant.

Multi-Family Real Estate Loans.

At December 31, 2020, multi-family real estate loans totaled $30.4 million, or 3.5%, of our total loan portfolio. Our multi-family real estate loans are generally secured by properties consisting of five to 100 rental units in our market area.

We will originate multi-family real estate loans with terms and amortization periods of up to 25 years. The interest rates on our multi-family real estate loans are generally adjustable based on a margin over an index. Multi-family real estate loans are generally originated in amounts up to 75% of the appraised value or the purchase price of the property securing the loan, whichever is lower.

In underwriting multi-family real estate loans, we consider a number of factors including the projected net cash flows to the loan's debt service requirement (generally requiring a minimum of 1.20x), the age and condition of the collateral, the financial resources and income level of the borrower and the borrower's experience in owning or managing similar properties. Where appropriate, we also require corporate guarantees or personal guarantees. We monitor borrowers' and guarantors' financial information on an ongoing basis by requiring periodic financial statement updates.

At December 31, 2020, our largest multi-family real estate loan had an outstanding balance of $5.5 million and was secured by an apartment complex located in Wappingers Falls, New York. At December 31, 2020, this loan was performing according to its original terms.

Commercial Construction and Land Development Loans.

We originate loans to finance the construction of commercial properties, multi-family projects (including one- to four-family non-owner occupied residential properties) and professional complexes, or to acquire land for development for these purposes. We also originate rehabilitation loans, enabling the borrower to partially or totally refurbish an existing structure, which are structured as a construction loan and monitored in the same manner. At December 31, 2020, commercial construction and land development loans totaled $5.4 million, or 0.6% of our total loan portfolio. Most of these loans are secured by properties located in our primary market area. We also had undrawn amounts on the commercial construction loans totaling $2.5 million at December 31, 2020.

Our construction and land development loans are generally structured as two-year interest-only balloon loans. The interest rate is generally a variable rate based on an index rate, typically The Wall Street Journal Prime Rate or the U.S. Constant Maturity Treasury Rate plus a margin. We generally offer commercial construction loans with a loan-to-value ratio of up to 75% of the appraised value on a completed basis or the cost of completion, whichever is less. We offer financing to purchase land for development with a maximum loan-to-value ratio of 50%.

Before making a commitment to fund a commercial construction loan, we generally require an appraisal of the property by an independent licensed appraiser. The construction phase is carefully monitored to minimize our risk. All construction projects must be completed in accordance with approved plans and approved by the municipality in which they are located. Loan proceeds are disbursed periodically in increments as construction progresses and as inspections by our approved inspectors warrant.

At December 31, 2020, our largest construction and land development loan was a multi-family construction project located in Lagrangeville, New York, and had an outstanding balance of $2.0 million. At December 31, 2020, this loan was performing according to its original terms.

Consumer Loans.

We offer consumer loans to customers residing in our primary market area. Our consumer loans consist primarily of indirect automobile loans as discussed above. Other consumer loans consist mostly of home equity loans, lines of credit

and direct automobile loans. At December 31, 2020, $14.2 million of our consumer loans were home equity loans and lines of credit, and $7.5 million of our consumer loans were direct automobile loans.

Home equity loans and lines of credit are multi-purpose loans used to finance various home or personal needs, where a one- to four-family primary or secondary residence serves as collateral. We generally originate home equity loans and lines of credit of up to $150,000, with a maximum loan-to-value ratio of 80% (including any first lien position) and terms of up to 20 years. Home equity lines of credit have adjustable rates of interest that are based on the prime interest rate published in The Wall Street Journal, plus a margin, and reset monthly. Home equity lines of credit are secured by residential real estate in a first or second lien position.

The procedures for underwriting consumer loans include assessing the applicant's payment history on other indebtedness, the applicant's ability to meet existing obligations and payments on the proposed loan, and the loan-to-value ratio. Although the applicant's creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount.

Loan Underwriting Risks

Indirect Automobile and Other Consumer Loans.

Indirect automobile and other consumer loans entail greater risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly, such as motor vehicles. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and any small remaining deficiency often does not warrant further substantial collection efforts against a borrower. Indirect automobile and consumer loan collections depend on a borrower's continuing financial stability, and therefore are likely to be adversely affected by various factors, including job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount we can recover on such loans.

Commercial and Multi-Family Real Estate Loans.

Loans secured by commercial and multi-family real estate generally have larger balances and involve a greater degree of risk than one- to four-family residential mortgage loans. Of primary concern in commercial and multi-family real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of a project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy. If we foreclose on a commercial or multi-family real estate loan, the marketing and liquidation period to convert the real estate asset to cash can be lengthy with substantial holding costs. In addition, vacancies, deferred maintenance, repairs and market stigma can result in prospective buyers expecting sale price concessions to offset their real or perceived economic losses for the time it takes them to return the property to profitability. Direct costs may be required to rehabilitate or prepare the property to be marketed. Depending on the individual circumstances, initial charge-offs and subsequent losses on commercial or multi-family real estate loans can be unpredictable and substantial.

To monitor cash flows on income properties, we require borrowers and loan guarantors, if any, to provide financial statements on the business operations underlying the commercial and multi-family real estate loans on an ongoing basis. In reaching a decision whether to make a commercial or multi-family real estate loan, we consider and review a global cash flow analysis of the borrower and consider the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. We generally require properties securing these real estate loans to have debt service coverage ratios (the ratio of earnings before interest, taxes, depreciation, and amortization before debt service to debt service) of at least 1.20x. We obtain an environmental Phase 1 report for all loans over $1.0 million or when hazardous materials may have existed on the site, or the site may have been impacted by adjoining properties that handled hazardous materials. We obtain an environment report on all commercial real estate properties. We will also obtain a Phase 1 report if the initial environmental reports indicate that there may be an environmental issue on a property. We require indemnification from our commercial real estate borrowers and/or guarantors for potential exposure to environmental issues.

Commercial Business Loans.

Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial business loans have higher risk because they are made typically on the basis of the borrower's ability to repay a loan from the cash flows of the borrower's business and the collateral securing these loans may fluctuate in value. Our commercial business loans are underwritten and evaluated primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of accounts receivable, inventory or equipment, or real estate. Commercial business loans to closely held businesses are also required to be personally guaranteed by the principal(s), as well as by other appropriate guarantors when personal assets are in joint names or if the principal's net worth is insufficient by itself to support the loan. The availability of funds to repay commercial business loans may depend substantially on the success of the business itself. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value.

Our Credit Administration Department is responsible for monitoring industry concentrations among commercial borrowers and for reporting the industries represented by commercial borrowers to senior management on at least an annual basis.

Adjustable Rate Loans.

Rising interest rates may require adjustable-rate loan borrowers to make higher monthly payments that could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a high interest rate environment. In addition, although adjustable-rate loans make our assets more responsive to changes in market interest rates, the extent of this interest rate sensitivity may be somewhat limited by the annual and lifetime interest rate adjustment limits on residential mortgage loans.

Construction Loans.

Construction lending involves additional risks when compared to permanent residential or commercial lending because funds are advanced upon the security of the project, which is of uncertain value before its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation on real property, it is relatively difficult to accurately evaluate the total funds required to complete a project and the related loan-to-value ratio. In addition, generally during the term of a construction loan, interest may be funded by the lender or disbursed from an interest reserve set aside from the construction loan budget. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If the appraised value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss.

Our ability to originate construction loans is dependent on the strength of the housing and commercial markets in our region. We focus our loan underwriting on the borrower's financial strength, credit history and demonstrated ability to produce a quality product and effectively market and manage their operations. Before making a commitment to fund a construction loan, we generally require an appraisal of the property by an independent licensed appraiser. The construction phase is carefully monitored to minimize our risk. All construction projects must be completed in accordance with approved plans and approved by the municipality in which they are located. Loan proceeds are disbursed periodically in increments as construction progresses and as inspections by our approved inspectors warrant.

Loan Originations and Sales.

Loan originations come from a variety of sources. The primary sources of loan originations are current customers, business development by our relationship managers, walk-in traffic, automobile dealerships, referrals from customers, and brokers.

Generally, we attempt to sell all of our fixed-rate residential mortgages upon origination, to limit our interest rate risk exposure and generate fee income. Mortgage loans are usually sold to Freddie Mac on a servicing rights retained basis; however, we may sell mortgages on a servicing released basis to free up capital, maximize profitability and protect us from risk.

Loan Approval Procedures and Authority.

Our lending activities follow written, non-discriminatory, underwriting standards and loan origination procedures established by our Board of Directors and management. The Board of Directors has granted loan approval authority to certain officers up to prescribed limits, depending on the officer's experience and the type of loan. Our policies also limit the aggregate loans to one entity that an individual officer may approve, up to prescribed limits, depending on the officer's experience. Loan officers are not allowed to approve loans they have originated.

Loans in excess of individual officers' lending limits require approval of our Credit Committee, which is comprised of our President and Chief Executive Officer, Chief Credit Officer, Senior Vice President-Commercial Lending Director, Senior Vice President-Commercial Lending Team Leader, Vice President-Credit Administration, and other lending officers appointed from time to time. The Credit Committee can approve individual loans of up to prescribed limits, depending on the type of loan. Officers that sit on the Credit Committee must abstain from voting on loans they have originated.

Loans in excess of the Credit Committee's loan approval authority require the approval of the Board of Directors. Loans in excess of our internal loans-to-one borrower limitation and certain loans that involve policy exceptions also must be authorized by the Board of Directors.

Loans-to-One Borrower.

Under New York banking law, our total loans or extensions of credit to a single borrower or group of related borrowers ("loans-to-one borrower") cannot exceed, with specified exceptions, 15% of our capital stock, surplus fund and undivided profits. We may lend additional amounts up to 10% of our capital stock, surplus and undivided profits if the loans or extensions of credit are fully secured by readily-marketable collateral.

Pursuant to our internal policies, our internal loans-to-one borrower limitation is set at 25% of Tier 1 capital (excluding the capital attributable to our $5.0 million of outstanding trust preferred securities), of which no more than 10% can be lent on an unsecured basis. This general standard is further restricted as follows:

- Commercial or Multi-Family Real Estate Loans. We will not lend more than 25% of capital to any one borrower, and no more than 15% of capital to any one project or property. We may consider on a case-by-case basis requests for loans of more than 15% of capital to any one project/property. In no event will we make a commercial or multi-family real estate loan in excess of 17.5% of capital to any one project or property.

- Commercial Business Loans. We will not lend more than 15% of capital to any one borrower, with only 10% of capital lent on an unsecured basis under normal policy. Our Board of Directors may make exceptions to the 10% limit for unsecured credit for borrowers with strong credit profiles.

At December 31, 2020, our regulatory limit on loans-to-one borrower and our internal loans-to-one borrower limit were $27.7 million and $25.0 million, respectively. As of December 31, 2020, we had no loans that equaled or exceeded our internal loans-to-one borrower limit or our individual regulatory loan limit.

At December 31, 2020, our largest lending relationship consisted of 134 loans aggregating $23.5 million, which consisted of $21.6 million secured by multiple commercial properties and $1.9 million secured by equipment, inventory and receivables. At December 31, 2020, each loan in this relationship was performing according to its original repayment terms.

Non-Performing Loans and Problem Assets

Performance of the loan portfolio is reviewed on a regular basis by Bank management. A number of factors regarding the borrower and loan, such as overall financial strength, collateral values and repayment ability, are considered in deciding what actions should be taken when determining the collectability of interest for accrual purposes.

When a loan, including a loan that is impaired, is classified as non-accrual, the accrual of interest on such a loan is discontinued. A loan is typically classified as non-accrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the 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 either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid accrued interest is fully reversed. Interest payments received on non-accrual loans are applied against principal.

Loans are usually restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Non-performing Loans. At December 31, 2020, $6.3 million, or 0.7% of our total loans, were non-performing loans. The breakdown by loan classification was as follows: $1.9 million of commercial real estate, $2.6 million of residential real estate, $990,000 of indirect auto, $366,000 of commercial and $394,000 of other consumer loans. Non-performing commercial real estate loans decreased $2.4 million to $1.9 million at December 31, 2020 from $4.3 million at December 31, 2019.

Other Real Estate Owned. At December 31, 2020, the Company had other real estate owned valued at $139,000 which consisted of two parcels of vacant land. This property is being carried on the Company's books at fair value less estimated costs to sell. This property is being actively marketed and additional losses may occur.

Troubled Debt Restructurings. 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"). These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. 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 lease and loan losses.

The principal balance of TDRs at December 31, 2020 was $1.6 million, comprised of two residential loans totaling $1.5 million and one home equity loan of $98,000, all of which were on non-accrual. TDRs at December 31, 2019 totaled $1.7 million and were also in non-accrual status.

Non-Performing Assets. The table below sets forth the amounts and categories of our non-performing assets at the dates indicated.

	At December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Non-accrual loans:					
Residential real estate loans	$ 2,641	$ 2,341	$ 2,208	$ 2,100	$ 1,953
Commercial real estate loans	1,944	4,296	2,507	5,568	3,345
Commercial loans	366	905	297	1,238	1,854
Consumer loans	1,384	1,379	660	458	682
Total	$ 6,335	$ 8,921	$ 5,672	$ 9,364	$ 7,834
Real estate owned	139	1,417	1,685	2,234	2,683
Total non-performing assets	$ 6,474	$ 10,338	$ 7,357	$ 11,598	$ 10,517
Troubled debt restructurings (accruing):					
Consumer loans	—	—	—	98	98
Total troubled debt restructurings (accruing)	$ —	$ —	$ —	$ 98	$ 98
Total non-performing assets and total troubled debt restructurings (accruing)	$ 6,474	$ 10,338	$ 7,357	$ 11,696	$ 10,615
Total non-performing loans to total loans	0.72 %	1.13 %	0.84 %	1.65 %	1.52 %
Total non-performing loans to total assets	0.56 %	0.92 %	0.64 %	1.26 %	1.08 %
Total non-performing assets and troubled debt restructurings (accruing) to total assets	0.57 %	1.06 %	0.83 %	1.58 %	1.47 %

For the year ended December 31, 2020, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was $640,000. We did not recognize any interest on these loans for 2020.

Delinquencies. The following table sets forth certain information with respect to our loan portfolio delinquencies at the dates indicated. Loans delinquent for 90 days or more are generally classified as non-accrual loans.

	30 – 89 Days		90 Days or More		Total	
	Number of Loans	Principal Balance	Number of Loans	Principal Balance	Number of Loans	Principal Balance
	(Dollars in thousands)					
At December 31, 2020						
Residential real estate loans	6	$ 1,489	7	$ 1,169	13	$ 2,658
Commercial real estate loans	6	2,018	5	1,944	11	3,962
Commercial loans	8	2,062	3	183	11	2,245
Consumer loans	584	7,900	85	1,243	669	9,143
Total	604	$ 13,469	100	$ 4,539	704	$ 18,008
At December 31, 2019						
Residential real estate loans	6	$ 543	6	$ 780	12	$ 1,323
Commercial real estate loans	4	1,293	6	4,296	10	5,589
Commercial loans	6	486	2	667	8	1,153
Consumer loans	615	8,270	92	1,269	707	9,539
Total	631	$ 10,592	106	$ 7,012	737	$ 17,604
At December 31, 2018						
Residential real estate loans	8	$ 920	4	$ 531	12	$ 1,451
Commercial real estate loans	7	1,893	3	2,507	10	4,400
Commercial loans	4	207	1	4	5	211
Consumer loans	482	5,823	50	541	532	6,364
Total	501	$ 8,843	58	$ 3,583	559	$ 12,426

Classified Assets. Banking regulations and our Asset Classification Policy provide that loans and other assets considered to be of lesser quality should be classified as "Substandard," "Doubtful" or "Loss" assets. An asset is considered Substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Assets classified as Doubtful have all of the weaknesses inherent in those classified Substandard, with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as Loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. We classify an asset as "Special Mention" if the asset has a potential weakness that warrants management's close attention. While such assets are not impaired, management has concluded that if the potential weakness in the asset is not addressed, the value of the asset may deteriorate, thereby adversely affecting the repayment of the asset.

The table below sets forth the classified assets at the dates indicated.

	At December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Special mention	$ 10,863	$ 4,882	$ 7,805
Substandard	7,002	9,575	9,111
Total	$ 17,865	$ 14,457	$ 16,916

At December 31, 2020, the Company classified $10.9 million of our assets as Special Mention, of which $5.5 million was commercial real estate loans and $5.4 million were commercial and industrial loans. We classified $7.0 million as Substandard, of which $2.1 million were commercial real estate loans, $2.6 million were residential loans, $873,000 were commercial and industrial loans and $1.4 million were consumer loans. At December 31, 2019, the Company classified $4.9 million of our assets as Special Mention, of which $4.3 million were commercial real estate loans and $9.6 million as Substandard, of which $4.8 million were commercial real estate loans. The loan portfolio is

reviewed on a regular basis to determine whether any loans require classification in accordance with applicable regulations. Not all classified assets constitute non-performing assets.

Allowance for Lease and Loan Losses

Our allowance for lease and loan losses is maintained at a level necessary to absorb loan losses that are both probable and reasonably estimable. Management, in determining the allowance for lease and loan losses, considers the losses inherent in its loan portfolio and changes in the nature and volume of loan activities, along with the general economic and real estate market conditions among other qualitative factors. Our allowance for lease and loan losses consists of two elements: (1) an allocated allowance, which comprises specific allowances established on specific loans and general allowances based on historical loss experience and current trends, and (2) an unallocated allowance based on general economic conditions and other risk factors in our markets and portfolios. We maintain a loan review system, which allows for a periodic review (at least quarterly) of our loan portfolio and the early identification of potential impaired loans. Such system takes into consideration, among other things, delinquency status, size of loans, type and market value of collateral and financial condition of the borrowers. Specific loan loss allowances are established for identified losses based on a review of such information. A loan evaluated for impairment is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans identified as impaired are evaluated independently. We do not aggregate such loans for evaluation purposes. Loan impairment is measured based on the fair value of collateral method, taking into account the appraised value, any valuation assumptions used, estimated costs to sell and trends in the market since the appraisal date. General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions and management's judgment and losses which are probable and reasonably estimable. The allowance is increased through provisions charged against current earnings and recoveries of previously charged-off loans. Loans that are determined to be uncollectible are charged against the allowance. While management uses available information to recognize probable and reasonably estimable loan losses, future loss provisions may be necessary based on changing economic conditions. Payments received on impaired loans generally are either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. The allowance for lease and loan losses is maintained at a level that represents management's best estimate of losses inherent in the loan portfolio, and such losses were both probable and reasonably estimable.

In addition, the FDIC and the NYDFS, as an integral part of their examination process, periodically review our allowance for lease and loan losses. The banking regulators may require that we recognize additions to the allowance based on their analysis and review of information available to them at the time of their examination.

The following table sets forth activity in our allowance for lease and loan losses for the periods indicated.

	Year Ended December 31, 2020	2019	2018	2017	2016
	(Dollars in thousands)				
Allowance for loan losses at beginning of period	$ 5,954	$ 6,646	$ 5,457	$ 5,876	$ 5,410
Provision for loan losses	7,138	2,460	2,100	900	1,200
Charge-offs:					
Residential real estate loans	—	—	—	(78)	—
Commercial real estate loans	—	(1,750)	(303)	(16)	—
Commercial loans	(153)	(312)	(37)	(596)	(95)
Consumer loans	(2,354)	(2,215)	(1,673)	(1,724)	(1,853)
Total charge-offs	(2,507)	(4,277)	(2,013)	(2,414)	(1,948)
Recoveries:					
Residential real estate loans	—	81	5	9	5
Commercial real estate loans	4	—	123	92	—
Commercial loans	15	18	122	2	243
Consumer loans	1,029	1,026	852	992	966
Total recoveries	1,048	1,125	1,102	1,095	1,214
Net charge-offs	(1,459)	(3,152)	(911)	(1,319)	(734)
Allowance for loan losses at end of period	$ 11,633	$ 5,954	$ 6,646	$ 5,457	$ 5,876
Allowance for loan losses to non-performing loans at end of period	183.63 %	66.74 %	117.17 %	58.28 %	75.01 %
Allowance for loan losses to total loans outstanding at end of period	1.33 %	0.75 %	0.98 %	0.96 %	1.14 %
Net charge-offs to average loans outstanding during period	(0.17)%	(0.43)%	(0.15)%	(0.25)%	(0.15)%

Allocation of Allowance for Lease and Loan Losses. The following table sets forth the allowance for lease and loan losses allocated by loan category, the allocation of the allowance for loan losses by loan segment and the percent of loan balances by category at the dates indicated. The allowance for lease and loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At December 31, 2020			2019			2018		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)								
Residential real estate loans	$ 117	1.01 %	4.48 %	$ 99	1.66 %	5.54 %	$ 320	4.81 %	6.43 %
Commercial real estate loans	5,354	46.02	32.41	2,009	33.74	34.03	1,080	16.25	32.94
Commercial loans	1,050	9.03	17.57	603	10.13	11.47	1,542	23.20	12.29
Consumer loans	5,112	43.94	45.54	3,243	54.47	48.96	3,704	55.74	48.34
Total allowance	$ 11,633	100.00 %	100.00 %	$ 5,954	100.00 %	100.00 %	$ 6,646	100.00 %	100.00 %

	At December 31, 2017			2016		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)					
Residential real estate loans	$ 455	8.34 %	7.65 %	$ 701	11.93 %	7.86 %
Commercial real estate loans	1,305	23.91	37.28	1,091	18.57	37.32
Commercial loans	879	16.11	11.95	775	13.19	11.07
Consumer loans	2,818	51.64	43.12	3,309	56.31	43.75
Total allowance	$ 5,457	100.00 %	100.00 %	$ 5,876	100.00 %	100.00 %

We use the accrual method of accounting for all performing loans. The accrual of interest income is generally 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. When a loan is placed on non-accrual status, unpaid interest previously credited to income is reversed. Interest received on non-accrual loans is applied against principal. Generally, residential and consumer loans are restored to accrual status when the obligation is brought current in accordance with the contractual terms for a reasonable period of time and ultimate collectability of total contractual principal and interest is no longer in doubt. Commercial 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 and ultimate collectability of total contractual principal and interest no longer is in doubt.

In our collection efforts, we will first attempt to cure any delinquent loan. If a real estate secured loan is placed on non-accrual status, it could be subject to transfer to other real estate owned (“OREO”) (comprised of properties acquired by or in lieu of foreclosure), upon which our credit administration department will pursue the sale of the real estate. Prior to this transfer, the loan balance will be adjusted, if necessary, to reflect its current market value less estimated costs to sell. Write downs of OREO that occur after the initial transfer from the loan portfolio and costs of holding the property are recorded as other operating expenses, except for significant improvements which are capitalized to the extent that the carrying value does not exceed estimated net realizable value.

Fair values for determining the value of collateral are estimated from various sources, such as real estate appraisals, financial statements and from any other reliable sources of available information. For those loans deemed to be impaired, collateral value is reduced for the estimated costs to sell. Reductions of collateral value are based on historical loss experience, current market data, and any other source of reliable information specific to the collateral.

This analysis is inherently subjective, as it requires us to make estimates that are susceptible to revisions as more information becomes available. Although we believe that we have established the allowance at levels to absorb probable and estimable losses, future additions may be necessary if economic or other conditions in the future differ from the current environment.

Investment Activities

We have legal authority to invest in various types of investment securities and liquid assets, including U.S. Treasury obligations, securities of various government-sponsored enterprises, residential mortgage-backed securities and municipal securities, deposits at the Federal Home Loan Bank (the “FHLB”) of New York, certificates of deposit of federally insured institutions, investment grade corporate bonds, equity securities and Small Business Investment Companies. At December 31, 2020, our investment portfolio had a fair value of $102.9 million and consisted primarily of U.S. Government securities, U.S. Government agency securities, including residential and collateralized mortgage-backed securities, municipal securities and corporate bonds in the form of subordinated bank debt.

Our investment objectives are to maximize portfolio yield over the long term and manage our risk profile in a manner consistent with liquidity needs, pledging requirements, asset/liability strategies and safety and soundness concerns. Our current investment strategy uses a risk management approach of diversified investing in fixed-rate securities with short- to intermediate-term maturities, as well as adjustable-rate securities, which may have a longer term to maturity. The emphasis of this approach is to increase overall investment securities yields while managing interest rate risk. Our Board of Directors has overall responsibility for the investment portfolio, including reviewing and evaluating our investment policy on an annual basis. The Investment Committee of the Board of Directors, consisting of four directors, meets at least three times annually to review our portfolio's performance, quality and composition, and provides reports to the full Board of Directors at the next monthly meeting of the full board following the meeting of the Investment Committee. The Investment Committee also reviews and discusses policy changes prior to their presentation to the full board. Our management has the overall responsibility for implementing the investment policy and supervising our investment activities and performance. Management is also responsible for providing regular reports to the Investment Committee to allow for a complete consideration of the portfolio's composition, cash flow characteristics, quality and risk profile. The President and CEO is responsible for the overall supervision of the investment activity. The Chief Financial Officer is responsible for the implementation of the Bank's investment policy and strategy. The Controller is responsible for the accounting and reporting requirements of the policy.

A maximum of $8.0 million in security purchases may be made in any one calendar week. Security sales are also limited to $8.0 million per week for sales relating to portfolio restructuring. These restrictions can be combined in a single week, thus allowing a total transaction amount of $16.0 million. Federal funds transactions are not included in the limitation. There is no limit on security sales executed for the purpose of providing for the cash needs of the Bank. Any exceptions require the approval of both the President and CEO and the Chief Financial Officer and must be reported to the Investment Committee which would then report it to the Board.

Our policy is that, at the time of purchase, we designate a security as held to maturity, available-for-sale, or trading, depending on our ability and intent. Securities that are available-for-sale or held for trading are reported at fair value, while securities held to maturity are reported at amortized cost. Currently, all securities we hold are classified as available-for-sale.

FHLB Securities. In addition, we hold FHLB common stock to qualify for membership in the Federal Home Loan Bank System and to be eligible to borrow funds under the FHLB advance program. There is no market for the common stock.

The aggregate fair value of our FHLB common stock as of December 31, 2020 was $2.8 million based on its par value. No unrealized gains or losses have been recorded because we have determined that the par value of the common stock represents its fair value. We owned shares of FHLB common stock at December 31, 2020 equal to what we were required to own to maintain our membership in the Federal Home Loan Bank System and was necessary to support the balance of our advances. We are required to purchase additional stock as our outstanding advances increase. Any excess stock we own is redeemed weekly by the FHLB.

Evaluation of Securities Portfolio. Each reporting period, we evaluate all securities with a decline in fair value below the amortized cost of the investment to determine whether or not the impairment is deemed to be other-than-temporary. Other-than-temporary impairment ("OTTI") is required to be recognized if (1) we intend to sell the security; (2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis; or (3) for debt securities, the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. For impaired debt securities that we intend to sell, or more likely than not will be required to sell, the full amount of the depreciation is recognized as OTTI, resulting in a realized loss that is a charged to earnings through a reduction in our non-interest income. For all other impaired debt securities, credit-related OTTI is recognized through earnings and non-credit related OTTI is recognized in other comprehensive income/loss, net of applicable taxes. We did not recognize any OTTI during the past five years.

The following table sets forth the composition of our securities portfolio (excluding FHLB-NY common stock) at the dates indicated.

	At December 31,					
	2020		2019		2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Securities available-for-sale:						
U.S. government and agency obligations	7,013	7,161	12,049	12,076	16,919	16,468
U.S. Treasury securities	—	—	—	—	3,036	2,971
Mortgage-backed securities – residential	88,197	89,270	98,842	98,478	82,965	80,216
Municipal securities	1,445	1,476	1,384	1,396	1,228	1,232
Corporate Bonds	4,400	4,446	2,250	2,273	—	—
Other	621	580	555	609	425	425
Total	$ 101,676	$ 102,933	$ 115,080	$ 114,832	$ 104,573	$ 101,312

At December 31, 2020, we had no investments in a single issuer, other than securities issued by the U.S. government or agencies thereof, or U.S. government-sponsored enterprises, which had an aggregate book value in excess of 10% of our equity.

Portfolio Maturities and Yields. The following table sets forth the stated maturities and weighted average yields of investment securities at December 31, 2020. Certain mortgage-backed securities have adjustable interest rates and will reprice annually within the various maturity ranges. These repricing schedules are not reflected in the table below. Weighted average yield calculations on investment securities available for sale do not give effect to changes in fair value that are reflected as a component of equity.

	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Securities available-for-sale:											
U.S. government and agency obligations	$ —	— %	$ 2,000	0.50 %	$ 5,013	3.00 %	$ —	—	$ 7,013	$ 7,161	2.29 %
Mortgage-backed securities – residential	—	—	142	1.50 %	21,951	2.73 %	66,104	2.26 %	88,197	89,270	2.38 %
Municipal securities	102	4.98 %	155	1.53 %	532	3.62 %	656	2.54 %	1,445	1,476	3.00 %
Corporate bonds	—	—	—	—	4,400	4.56 %	—	—	4,400	4,446	4.56 %
Other	—	—	—	—	621	14.48 %	—	—	621	580	14.48 %
Total	$ 102	4.98 %	$ 2,297	0.63 %	$ 32,517	3.26 %	$ 66,760	2.26 %	$ 101,676	$ 102,933	2.54 %

Sources of Funds

General. Deposits have traditionally been our primary source of funds for our lending and investment activities. We also use borrowings, primarily Federal Home Loan Bank of New York advances, to supplement cash flows, as needed. In addition, funds are derived from scheduled loan and investment payments, investment maturities, loan sales, loan prepayments, retained earnings and income on earning assets. While scheduled loan payments, investment maturities and income on earning assets are relatively stable sources of funds, deposit inflows and outflows, loan prepayments and loan sales can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposit Accounts. The substantial majority of our deposits are from depositors who reside in our primary market area. We access deposit customers by offering a broad selection of deposit instruments for both individuals and businesses. We encourage commercial business borrowers to maintain their primary deposit accounts with us. At December 31, 2020, our deposits totaled $929.4 million.

Deposit balances are summarized as follows (in thousands):

	December 31, 2020	December 31, 2019	December 31, 2018
Noninterest bearing demand deposits	$ 244,344	$ 179,236	$ 171,829
Interest bearing accounts:			
NOW	141,580	95,572	99,715
Savings	157,414	121,139	126,822
Money market	185,383	158,747	130,356
Time certificates of deposit	200,643	218,649	155,696
Total interest bearing accounts	685,020	594,107	512,589
Total deposits	$ 929,364	$ 773,343	$ 684,418

Deposit account terms vary according to the minimum balance required, the time period that funds must remain on deposit, and the interest rate, among other factors. In determining the terms of our deposit accounts, we consider the rates offered by our competition, our liquidity needs, profitability, and customer preferences and concerns. We generally review our deposit pricing on a monthly basis and continually review our deposit mix. Our deposit pricing strategy has generally been to offer competitive rates, while generally not providing the highest rates in the market, and to periodically offer special rates to attract deposits of a specific type or term.

The following table sets forth the distribution of average deposit accounts, by account type, at the dates indicated.

	For the Years Ended December 31,								
	2020			2019			2018		
	Average Balance	Percent	Average Rate Paid	Average Balance	Percent	Average Rate Paid	Average Balance	Percent	Average Rate Paid
	(Dollars in thousands)								
Noninterest-bearing demand accounts	$ 223,611	25.71 %	0.00 %	$ 218,150	25.52 %	0.00 %	$ 164,553	24.56 %	0.00 %
Interest-bearing demand accounts	114,305	13.14 %	0.23 %	109,151	12.77 %	0.18 %	100,039	14.93 %	0.25 %
Money market accounts	169,978	19.54 %	1.01 %	164,561	19.25 %	0.81 %	128,757	19.22 %	0.89 %
Savings accounts	139,946	16.09 %	0.24 %	135,914	15.90 %	0.19 %	126,404	18.87 %	0.26 %
Certificates of deposit	222,002	25.52 %	1.92 %	226,921	26.55 %	1.57 %	150,219	22.42 %	1.58 %
Total	$ 869,842	100.00 %	0.76 %	$ 854,697	100.00 %	0.63 %	$ 669,972	100.00 %	0.61 %

The following table indicates the amount of jumbo certificates of deposit by time remaining until maturity at December 31, 2020 and 2019. Jumbo certificates of deposit require minimum deposits of $100,000.

	For the Years Ended December 31,	
Maturity Period	2020	2019
	(In thousands)	
Three months or less	$ 39,659	$ 21,835
Over three through six months	22,808	37,247
Over six through twelve months	33,607	60,187
Over twelve months	29,227	15,579
Total	$ 125,301	$ 134,848

At December 31, 2020, $147.6 million of our certificates of deposit had maturities of one year or less. We monitor activity on these accounts and, based on historical experience and our current pricing strategy, we believe we will retain a significant portion of these accounts upon maturity.

Borrowings. We primarily borrow from the Federal Home Loan Bank of New York to supplement our supply of investable funds. The FHLB functions as a central reserve bank providing credit for its member financial institutions. As a member, we are required to own capital stock in the FHLB and are authorized to apply for advances or loans on the security of such stock and first mortgage loans and other assets (principally securities that are obligations of, or guaranteed by, the United States), provided we meet certain creditworthiness standards. Advances are made under several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's net worth or on the FHLB's assessment of the institution's creditworthiness.

The following table sets forth information concerning balances and interest rates on the FHLB short-term borrowings at the dates and for the years indicated.

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Average balance outstanding during year	$ 59,056	$ 59,074	$ 36,455
Maximum outstanding at any month end	$ 79,645	$ 76,845	$ 64,409
Weighted average interest rate during period	1.99 %	2.59 %	2.44 %
Balance outstanding at end year	$ 50,674	$ 66,304	$ 31,598
Weighted average interest rate at end of period	1.90 %	2.30 %	2.72 %

At December 31, 2020, we had the ability to borrow $564.3 million under our credit facilities with the FHLB.

In April of 2020, the Bank became a participant in the Federal Reserve's Payroll Protection Program Lending Facility, which allowed us to present PPP loans as collateral for 100% principal credit at the Federal Reserve's discount window. The term of these loans mirrored the actual maturity of the underlying collateral and had a fixed interest rate of 0.35%. In April, we borrowed $70.1 million which was repaid in full on July 2, 2020.

Subsidiaries

In addition to the Bank, the Company has one other wholly-owned subsidiary, RSB Capital Trust I (the "Trust"). In 2005, the Trust issued $5.0 million of pooled trust preferred securities in a private placement and issued 155 shares of common stock at $1,000 par value per share to Rhinebeck Bancorp, MHC. The Trust has no independent assets or operations and was formed to issue trust preferred securities and invest the proceeds in an equivalent amount of junior subordinated debentures issued by Rhinebeck Bancorp, MHC. All of the cash proceeds from the issuance of the junior subordinated debentures by Rhinebeck Bancorp, MHC were contributed as capital to the Bank. In connection with our reorganization in January 2019, all of the common stock of the Trust and the corresponding subordinated debentures issued by Rhinebeck Bancorp, MHC to the Trust were transferred to Rhinebeck Bancorp, Inc. At that time, the Trust became wholly-owned by, and the debt became an obligation of, Rhinebeck Bancorp, Inc. The trust preferred securities mature 30 years from the date of issuance and bear interest at a rate equal to the three-month London inter-bank offered rate "LIBOR" plus 2.00%. The interest rate on these securities at December 31, 2020 was 2.21%.

Rhinebeck Bank has two active wholly-owned subsidiaries, Pleasant View Subdivision, LLC and 456 Broadway, LLC. Pleasant View Subdivision, LLC, a New York limited liability corporation, was formed in 2006 to acquire a branch and subsequently to hold real estate acquired through foreclosure. At December 31, 2020, Pleasant View Subdivision, LLC had $139,000 in assets. 456 Broadway, LLC, a New York limited liability corporation was formed in 2020 to acquire the Newburgh branch.

Rhinebeck Bank also has two inactive wholly-owned subsidiaries: Dutchess Golf Club, LLC and New Horizons Asset Management Group, LLC. Dutchess Golf Club, LLC, a New York limited liability corporation, was formed in 2012 to hold a golf course that was acquired through foreclosure. As of June 30, 2018, all of the assets held by Dutchess Golf Club, LLC had been sold. New Horizons Asset Management Group, LLC was acquired in 2012. All of its business functions have been transferred to RAM.

Personnel and Human Capital Resources

As of December 31, 2020, we had 166 full-time employees and 10 part-time employees. We employ personnel of all races, genders and ages and do not discriminate based on any such measures. No employees are represented by a collective bargaining unit and we believe we have a good working relationship with our employees.

Continual learning and career development is advanced through ongoing performance and development conversations with employees, internally developed training programs, customized corporate training engagements and educational reimbursement programs. Reimbursement is available to employees enrolled in pre-approved degree or certification programs at accredited institutions that teach skills or knowledge relevant to our business, in compliance with Section 127 of the Internal Revenue Code, and for seminars, conferences, and other training events employees attend in connection with their job duties.

The safety, health and wellness of our employees is a top priority. The COVID-19 pandemic presented a unique challenge with regard to maintaining employee safety while continuing successful operations. Through teamwork and the adaptability of our management and staff, we were able to transition, over a short period of time, most of our employees to effectively working from remote locations and ensure a safely-distanced working environment for employees performing customer facing activities at branches and operations centers. All employees are asked not to come to work when they experience signs or symptoms of a possible COVID-19 illness and have been provided additional paid time off to cover compensation during such absences. On an ongoing basis, we further promote the health and wellness of our employees by strongly encouraging work-life balance, offering flexible work schedules, keeping the employee portion of health care premiums to a minimum and sponsoring various wellness programs.

Employee retention helps us operate efficiently and achieve our business objectives. We believe our commitment to living out our core values, actively prioritizing concern for our employees' well-being, supporting our employees' career goals, offering competitive wages and providing valuable fringe benefits aids in retention of our top-performing employees. In addition, this year we implemented an employee stock compensation plan which aligns associate and stockholder interests by providing stock ownership on a tax-deferred basis at no investment cost to our associates.

Information about our Executive Officers

The following listing sets forth the name, principal position, recent business experience and age (as of December 31, 2020) of each executive officer:

Michael J. Quinn is President and Chief Executive Officer of Rhinebeck Bank. He was appointed as CEO in 2004 and has been a member of the Board of Directors since 2001 when he was President & COO. He began his career at Rhinebeck Bank in 1984 and has held various positions including Branch Manager, Treasurer, Senior Lending Officer and President & COO before being named as President and CEO in 2004. Age 59.

Jamie J. Bloom is the Chief Operating Officer at Rhinebeck Bank. She has over 30 years of financial services experience. She began her banking career at Rhinebeck Bank in 1994 as the Vice President of Sales. Age 54.

Michael J. McDermott is the Chief Financial Officer of Rhinebeck Bank, a position he has held since 2001. Prior to joining the Bank, Mr. McDermott held the position of CFO, as well as other senior executive positions, in several diverse industries including a large insurance brokerage, a healthcare software startup and two manufacturing companies. Age 68.

James T. McCardle III joined the Bank in 2001 and is currently the Chief Credit Officer of Rhinebeck Bank; a position he was appointed to in 2018. Prior to being named CCO, Mr. McCardle was the Chief Lending Officer for seven years. He has held various titles since joining the Bank including VP, Commercial Lending, SVP Commercial Lending and SVP and Senior Lending Officer. Age 55.

Karen Morgan-D'Amelio, Esq. is the Chief Risk Officer and General Counsel for Rhinebeck Bank and a member of its executive leadership team. She was appointed to this position in 2014. Prior to joining the Bank, Morgan-D'Amelio worked in both private practice and held Managing Attorney roles and leadership roles in financial institutions such as The Dime Savings Bank of NY, FSB, Washington Mutual and J.P. Morgan Chase, and was a Deputy County Attorney for Nassau County, New York. Age 50.

Francis X. (Frank) Dwyer is the President of Rhinebeck Asset Management. He has been with Rhinebeck Bank in this position since 2015. His career expands over 34 years in the financial services industry. Prior to joining the Bank, he held other senior executive roles with various other financial institutions. Age 59

Timmian C. (Tim) Massie joined Rhinebeck Bank in October 2020 as Chief Marketing/Public Affairs Officer. With more than 40 years' experience in communications, he brings a wealth of knowledge to his role. He previously served in senior positions in healthcare, utilities, government and higher education, where he was also an adjunct professor. Age 62.

Emerging Growth Company Status

As an emerging growth company, Rhinebeck Bancorp, Inc. may delay adoption of new or revised financial accounting standards until such date that the standards are required to be adopted by non-public companies. Rhinebeck Bancorp, Inc. intends to take advantage of the benefits of the extended transition periods allowed under the Jumpstart Our Business Startups Act.

Accordingly, Rhinebeck Bancorp, Inc.'s financial statements may not be comparable to those of public companies that adopt new or revised financial accounting standards as of an earlier date.

SUPERVISION AND REGULATION

General

As a New York-chartered savings bank, Rhinebeck Bank is subject to comprehensive regulation by the NYSDFS, as its chartering agency, and by the FDIC, as its deposit insurer. Rhinebeck Bank is a member of the FHLB of New York and its deposits are insured up to applicable limits by the FDIC. Rhinebeck Bank is required to file reports with, and is periodically examined by, the FDIC and the NYSDFS concerning its activities and financial condition and must obtain regulatory approvals before entering into certain transactions, including mergers with or acquisitions of other financial institutions. This regulatory structure is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with regarding classifying of assets and establishing an adequate allowance for lease and loan losses for regulatory purposes.

As a New York-chartered mutual holding company, Rhinebeck Bancorp, MHC is regulated and subject to examination by the NYSDFS and the Federal Reserve Board. As a bank holding company, Rhinebeck Bancorp, Inc. is required to comply with the rules and regulations of the Federal Reserve Board and the NYSDFS. It is required to file certain reports with the Federal Reserve Board and is subject to examination by and the enforcement authority of the Federal Reserve Board and the NYSDFS. Rhinebeck Bancorp, Inc. also is subject to the rules and regulations of the SEC under the federal securities laws.

Set forth below is a brief description of material regulatory requirements that are applicable to Rhinebeck Bancorp, Inc., Rhinebeck Bancorp, MHC and Rhinebeck Bank. The description is limited to certain material aspects of certain statutes and regulations that are addressed, and is not intended to be a complete list or description of such statutes and regulations and their effects on Rhinebeck Bancorp, Inc., Rhinebeck Bancorp, MHC and Rhinebeck Bank.

New York Banking Laws and Supervision

Supervision and Enforcement Authority. Rhinebeck Bank, as a New York savings bank, is regulated and supervised by the NYSDFS. The NYSDFS is required to regularly examine each state-chartered bank. The approval of the NYSDFS is required to establish or close branches, to merge with another bank, to issue stock and to undertake many other activities. Any New York savings bank that does not operate according to the regulations, policies and directives of the NYSDFS may be subject to sanctions for non-compliance, including seizure of the property and business of the savings bank and suspension or revocation of its charter. The NYSDFS may, under certain circumstances, suspend or remove officers or directors who have violated the law, conducted the savings bank's business in an unsafe or unsound manner or contrary to the depositors' interests, or have been negligent in the performance of their duties. In addition, upon finding that a savings bank has engaged in an unfair or deceptive act or practice, the NYSDFS may issue an order to cease and desist and impose a fine on the savings bank. The NYSDFS also has the authority to appoint a receiver or conservator if it determines that the savings bank is conducting its business in an unsafe or unauthorized manner, and under certain other circumstances. New York consumer protection and civil rights statutes applicable to Rhinebeck Bank permit private individual and class action law suits, and provide for the rescission of consumer transactions, including loans, and the recovery of statutory and punitive damage and attorney's fees in the case of certain violations of those statutes.

The powers that New York-chartered savings banks can exercise under these laws include the following:

Lending Activities. A New York-chartered savings bank may make a wide variety of mortgage loans including fixed-rate loans, adjustable-rate loans, participation loans, construction and development loans, condominium and co-operative loans, second mortgage loans and other types of loans that may be made according to applicable regulations. Commercial loans may be made to corporations and other commercial enterprises with or without security. Consumer and personal loans may also be made with or without security.

Investment Activities. In general, the Bank may invest in certain types of debt securities (including certain corporate debt securities, and obligations of federal, state, and local governments and agencies thereof), certain types of corporate equity securities, and certain other assets. However, this investment authority is subject to restrictions under federal law. See "— Federal Bank Regulation — Investment Activities" for such federal restrictions.

Dividends. Under New York banking law, the Bank may declare and pay dividends from its net profits, unless there is an impairment of capital. Additionally, the approval of the NYSDFS is required if the total of all dividends declared in a calendar year would exceed the total of its net profits for that year combined with its retained net profits of the preceding two years. The term "net profits" is generally defined to mean earnings from current operations, subject to certain adjustments provided for under applicable law.

Loans to Directors and Executive Officers. Under applicable NYSDFS regulations (which are substantially similar to applicable federal banking regulations), Rhinebeck Bank generally may not make a loan or other extension of credit to any of its executive officers or directors unless the loan or other extension of credit (1) is made on terms, including interest rate and collateral, that are not more favorable to the executive officer or director than those customarily offered by the Bank to persons who are not executive officers or directors and who are not employed by the Bank, and (2) does not involve more than the normal risk of repayment or present other unfavorable features. Depending on the size of the loan or other extension of credit, prior approval of the Bank's Board of Directors (with the interested party, if a director, abstaining from participating directly or indirectly in the voting) may be required.

Federal Bank Regulation

Supervision and Enforcement Authority. Rhinebeck Bank is subject to extensive regulation, examination and supervision by the FDIC as the insurer of its deposits. This regulatory structure is intended primarily for the protection of the insurance fund and depositors.

The Bank must file reports with the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals before entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. There are periodic examinations by the FDIC to evaluate Rhinebeck Bank's safety and soundness and compliance with various regulatory requirements.

The regulatory structure also gives the FDIC extensive discretion in connection with its supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of an adequate allowance for lease and loan losses for regulatory purposes. The enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations, breaches of fiduciary duty and unsafe or unsound practices. The FDIC may also appoint itself as conservator or receiver for an insured bank under specified circumstances, including: (1) insolvency; (2) substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices; (3) existence of an unsafe or unsound condition to transact business; (4) insufficient capital; or (5) the incurrence of losses that will deplete substantially all of the institution's capital with no reasonable prospect of replenishment without federal assistance.

Capital Requirements. Under FDIC regulations, Rhinebeck Bank is subject to a comprehensive capital framework for U.S. banking organizations that was effective January 2015 (the Basel III capital rules), subject to phase-in periods for certain components and other provisions.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively, and a leverage ratio of at least 4% Tier 1 capital. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Rhinebeck Bank exercised the opt-out election regarding the treatment of AOCI. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, a bank's assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on perceived risks inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one- to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements.

Regulatory relief legislation enacted in May 2018 required the federal banking agencies, including the FDIC, to establish for institutions with assets of less than $10 billion of assets an elective "community bank leverage ratio" (the ratio of a bank's tangible equity capital to average total consolidated assets) of between 8 to 10%. A "qualifying community bank" with capital exceeding the specified requirement that opts into the alternative framework is considered compliant with all applicable regulatory capital and leverage requirements and deemed "well capitalized" for prompt corrective action purposes, discussed below. A final rule was issued in November 2019 establishing the community bank leverage ratio at 9% Tier 1 capital to average total consolidated assets. The community bank leverage ratio option became effective January 1, 2020. The Coronavirus Aid, Relief and Economic Security Act of 2020 required that the community bank leverage ratio be temporarily lowered to 8%. Subsequent regulations did so, in addition to establishing an 8.5% ratio for calendar 2021 and reverting to 9% as of January 1, 2022. Management has not chosen to utilize this option.

The FDIC also has authority to establish individual minimum capital requirements in appropriate cases upon determination that an institution's capital level is, or is likely to become, inadequate in light of the particular circumstances. At December 31, 2020, Rhinebeck Bank exceeded each of its capital requirements.

Standards for Safety and Soundness. As required by statute, the federal banking agencies have adopted final regulations and Interagency Guidelines Establishing Standards for Safety and Soundness. The guidelines set forth the safety and soundness standards the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The guidelines address internal controls and information systems, internal audit systems, credit underwriting, loan documentation, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. The agencies have also established standards for safeguarding customer information. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard.

Investment Activities. All state-chartered savings banks insured by the FDIC are generally limited in their investment activities to principal and equity investments of the type and in the amount authorized for national banks, notwithstanding state law, subject to certain exceptions. For example, state-chartered banks may, with FDIC approval, continue to exercise state authority to invest in common or preferred stocks listed on a national securities exchange or the Nasdaq Global Market and to invest in the shares of an investment company registered under the Investment Company Act of 1940. The maximum permissible investment is 100% of Tier 1 Capital, as specified by the FDIC's regulations, or the maximum amount permitted by New York law, whichever is less.

In addition, the FDIC is authorized to permit state-chartered banks and savings banks to engage in state-authorized activities or investments not permissible for national banks (other than non-subsidiary equity investments) if it meets all applicable capital requirements and it is determined that such activities or investments do not pose a significant risk to the Deposit Insurance Fund. The FDIC has adopted procedures for institutions seeking approval to engage in such activities or investments. In addition, a nonmember bank may control a subsidiary that engages in activities as principal that would only be permitted for a national bank to conduct in a "financial subsidiary" if a bank meets specified conditions and deducts its investment in the subsidiary for regulatory capital purposes.

Prompt Corrective Regulatory Action. Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

The FDIC has adopted regulations to implement the prompt corrective action legislation. An institution is considered "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%. At December 31, 2020, Rhinebeck Bank was classified as a "well capitalized" institution.

At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, interest rates paid on deposits, payment of dividends, and acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. An undercapitalized bank's compliance with a capital restoration plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5.0% of the institution's total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an "undercapitalized" bank fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" banks must comply with one or more of a number of additional restrictions, including an order by the FDIC to sell sufficient voting stock to become

adequately capitalized, requirements to reduce total assets, cease receipt of deposits from correspondent banks or dismiss directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. "Critically undercapitalized" institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

Transactions with Affiliates

Transactions between banks and their affiliates are governed by federal law. Generally, Section 23A of the Federal Reserve Act and the Federal Reserve Board's Regulation W limit the extent to which a bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10.0% of the bank's capital stock and surplus, and with all transactions with all affiliates to an amount equal to 20.0% of the bank's capital stock and surplus. Section 23B applies to "covered transactions" as well as to certain other transactions and requires that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes making loans to, purchasing assets from, and issuing guarantees to, an affiliate, and other similar transactions. Section 23B transactions also include the bank's providing services and selling assets to an affiliate. In addition, loans or other extensions of credit by a bank to an affiliate are required to be collateralized according to the requirements set forth in Section 23A of the Federal Reserve Act.

Sections 22(h) and (g) of the Federal Reserve Act place restrictions on loans to a bank's insiders, i.e., executive officers, directors and principal stockholders. Under Section 22(h) of the Federal Reserve Act, loans to a director, an executive officer and to a greater than 10.0% stockholder of a financial institution, and certain affiliated interests of these, together with all other outstanding loans to such person and affiliated interests, may not exceed specified limits. Section 22(h) of the Federal Reserve Act also requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as offered in comparable transactions to other persons and also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a financial institution to insiders cannot exceed the institution's unimpaired capital and surplus. Section 22(g) of the Federal Reserve Act places additional restrictions on loans to executive officers.

Insurance of Accounts and Regulation by the Federal Deposit Insurance Corporation

Deposit accounts in the Bank are insured by the FDIC's Deposit Insurance Fund ("DIF") generally up to a maximum of $250,000 per separately insured depositor.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") required the FDIC to base its risk-based assessment system upon each insured institution's total assets less tangible equity instead of deposits. The FDIC finalized a rule that set the assessment range at 2.5 to 45 basis points of total assets less tangible equity. Effective July 1, 2016, the FDIC adopted changes to base assessments for most banks on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure over three years. In conjunction with the DIF reserve ratio achieving 1.5%, the assessment range (inclusive of possible adjustments) was also reduced for most banks to 1.5 basis points to 30 basis points.

In 2020, in response to the pandemic, institutions were able to reduce their total assets by the PPP loans in the calculation of the assessment.

The FDIC may adjust its risk-based assessment system in the future, except that no adjustment can be made without notice and comment rulemaking. No institution may pay a dividend if in default of the federal deposit insurance assessment.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The Bank does not believe that it is taking or is subject to any action, condition or violation that could lead to termination of its deposit insurance.

FDIC Improvement Act ("FDICIA"). Under FDICIA, an institution with over $1 billion in assets is subject to more vigorous audit requirements. Part 363 of FDICIA requires an internal control over financial reporting integrated audit by independent auditors. A ruling by the FDIC passed in October of 2020 allows the Company to use the December 31, 2019 consolidated asset balance due to the unexpected growth of PPP loans. While these requirements would have been applicable for the Company in 2021, the interim ruling delays this requirement. Compliance by the Company is expected in 2022.

Privacy Regulations. Federal law and regulations generally require that Rhinebeck Bank disclose its privacy policy, including identifying with whom it shares a customer's "non-public personal information," to customers at the time of establishing the customer relationship and, subject to certain exceptions, annually thereafter. In addition, Rhinebeck Bank is required to provide its customers with the ability to "opt-out" of having their non-public personal information shared with unaffiliated third parties and to not disclose account numbers or access codes to non-affiliated third parties for marketing purposes.

Community Reinvestment Act. Under the Community Reinvestment Act ("CRA"), as implemented by the FDIC, a state non-member bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the FDIC, in connection with its examination of each state non-member bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution, including applications to establish branches and acquire other financial institutions. The CRA requires the FDIC to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. Rhinebeck Bank's latest Federal Deposit Insurance Corporation CRA rating was "Satisfactory."

New York has its own statutory counterpart to the CRA, which is applicable to Rhinebeck Bank. New York law requires the NYSDFS to consider a bank's record of performance under New York law in considering any application by the bank to establish a branch or other deposit-taking facility, to relocate an office or to merge or consolidate with or acquire the assets and assume the liabilities of any other banking institution. Rhinebeck Bank's most recent rating under New York law was "Satisfactory."

Consumer Protection and Fair Lending Regulations. Rhinebeck Bank is subject to a variety of federal and New York statutes and regulations that are intended to protect consumers and prohibit discrimination in the granting of credit. These statutes and regulations provide for a range of sanctions for non-compliance with their terms, including imposition of administrative fines and remedial orders, and referral to the Attorney General for prosecution of a civil action for actual and punitive damages and injunctive relief. Certain of these statutes, including Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts and practices against consumers, authorize private individual and class action lawsuits and the award of actual, statutory and punitive damages and attorneys' fees for certain types of violations. New York's Attorney General has vigorously enforced fair lending and other consumer protection laws. Federal laws also prohibit unfair, deceptive or abusive acts practices against consumers, which can be enforced by the Consumer Financial Protection Bureau, the FDIC and state Attorneys General.

Holding Company Regulation

Federal Holding Company Regulation. Rhinebeck Bancorp, MHC and Rhinebeck Bancorp, Inc. are registered as bank holding companies with the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended, and subject to its regulations, examinations, supervision and reporting requirements applicable to bank holding companies. In addition, the Federal Reserve Board has enforcement authority over Rhinebeck Bancorp, Inc. and its non-savings bank subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings bank.

A bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the

principal exceptions to this prohibition is for activities the Federal Reserve Board determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the Federal Reserve Board has determined by regulation to be so closely related to banking are: (1) making or servicing loans; (2) performing certain data processing services; (3) providing discount brokerage services; (4) acting as fiduciary, investment or financial advisor; (5) leasing personal or real property; (6) making investments in corporations or projects designed primarily to promote community welfare; and (7) acquiring a savings and loan association whose direct and indirect activities are limited to those permitted for bank holding companies. A bank holding company that meets certain specified criteria may elect to be regulated as a "financial holding company" and thereby engage in a broader array of nonbank financial activities than those generally permitted for bank holding companies.

Capital. Federal law required the Federal Reserve Board to establish for all bank and savings and loan holding companies minimum consolidated capital requirements that are as stringent as those required for the insured depository subsidiaries. Pursuant to recent federal regulatory relief legislation, bank holding companies with less than $3.0 billion in consolidated assets, including Rhinebeck Bancorp, MHC and Rhinebeck Bancorp, Inc., are not subject to the holding company capital requirements unless otherwise advised by the Federal Reserve Board.

Dividends and Stock Repurchases. A bank holding company is generally required to give the Federal Reserve Board prior written notice of any purchase or redemption of then outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve Board order or directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

The Federal Reserve Board has issued a policy statement regarding capital distributions, including dividends, by bank holding companies. In general, the policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity, and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. Additionally, under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. Federal Reserve Board supervisory guidance indicates that bank holding companies should provide prior notice of proposed dividends or stock repurchases under certain specified circumstances. The purpose of such notice is to provide the Federal Reserve Board with an opportunity for supervisory review of, and possible objection to, the proposal. These regulatory policies could affect the ability of Rhinebeck Bancorp, Inc. to pay dividends, engage in stock repurchases, or otherwise engage in capital distributions.

Waivers of Dividends by Rhinebeck Bancorp, MHC. Rhinebeck Bancorp, Inc. has the authority to pay dividends on its common stock to public stockholders. If it does, it is also required to pay the same dividends per share to Rhinebeck Bancorp, MHC, unless Rhinebeck Bancorp, MHC elects to waive the receipt of dividends. Rhinebeck Bancorp, MHC must receive the prior approval of the Federal Reserve Board before it may waive the receipt of any dividends from Rhinebeck Bancorp, Inc., and current Federal Reserve Board policy prohibits any mutual holding company that is regulated as a bank holding company, such as Rhinebeck Bancorp, MHC, from waiving the receipt of dividends paid by its subsidiary holding company.

Because of the foregoing Federal Reserve Board restrictions on the ability of a mutual holding company, such as Rhinebeck Bancorp, MHC, to waive the receipt of dividends declared by its subsidiary mid-tier stock holding company, it is unlikely that Rhinebeck Bancorp, MHC will waive the receipt of any dividends declared by Rhinebeck Bancorp, Inc. Moreover, since Rhinebeck Bancorp, Inc. has sold only a minority of its shares to the public and contributed the remaining shares to Rhinebeck Bancorp, MHC, Rhinebeck Bancorp, Inc. raised significantly less capital than would have been the case if it sold all its shares to the public. As a result, paying dividends to Rhinebeck Bancorp, MHC may be inequitable to public stockholders and not in their best financial interests. Therefore, unless Federal

Reserve Board regulations and policy change by allowing Rhinebeck Bancorp, MHC to waive the receipt of dividends declared by Rhinebeck Bancorp, Inc. without diluting minority stockholders, it is unlikely that Rhinebeck Bancorp, Inc. will pay any dividends.

Possible Conversion of Rhinebeck Bancorp, MHC to Stock Form. In the future, Rhinebeck Bancorp, MHC may convert from the mutual to capital stock form of ownership, in a transaction commonly referred to as a "second-step conversion." Any second-step conversion of Rhinebeck Bancorp, MHC would require the approval of the NYSDFS and the Federal Reserve Board.

Acquisition. The Change in Bank Control Act and related regulations provide that no person or entity may acquire control of a bank holding company, such as Rhinebeck Bancorp, Inc., without the prior non-objection or approval of the Federal Reserve Board. Control, as defined under the applicable regulations, means the power, directly or indirectly, to direct the management or policies of the company or to vote 25% or more of any class of voting securities of the company. Acquisition of more than 10% of any class of a bank holding company's voting securities constitutes a rebuttable presumption of control under certain circumstances, including where, as will be the case with Rhinebeck Bancorp, Inc., the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934. Separately, any company that acquires control of a bank holding company, as "control" is defined in the federal Bank Holding Company Act, must receive the prior approval of the Federal Reserve Board under that law and becomes a "bank holding company" subject to examination and regulation by the Federal Reserve Board.

New York Holding Company Regulation. Rhinebeck Bancorp, MHC and Rhinebeck Bancorp, Inc. are also subject to regulation under New York banking law. Among other requirements, Rhinebeck Bancorp, MHC and Rhinebeck Bancorp, Inc. must receive the approval of the NYSDFS before acquiring 10% or more of the voting stock of another banking institution, or to otherwise acquire a banking institution by merger or purchase.

Federal Securities Laws

Rhinebeck Bancorp, Inc.'s common stock was registered with the Securities and Exchange Commission after its offering. Rhinebeck Bancorp, Inc. is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

The registration under the Securities Act of 1933 of shares of common stock issued in the offering does not cover the resale of those shares. Shares of common stock purchased by persons who are not affiliates of Rhinebeck Bancorp, Inc. may be resold without registration. Shares purchased by an affiliate of Rhinebeck Bancorp, Inc. will be subject to the resale restrictions of Rule 144 under the Securities Act of 1933. If Rhinebeck Bancorp, Inc. meets the current public information requirements of Rule 144 under the Securities Act of 1933, each affiliate that complies with the other conditions of Rule 144, including those that require the affiliate's sale to be aggregated with those of other persons, would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of 1% of the outstanding shares of Rhinebeck Bancorp, Inc., or the average weekly volume of trading in the shares during the preceding four calendar weeks.

Emerging Growth Company Status. Under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), a company with total annual gross revenues of less than $1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." Rhinebeck Bancorp, Inc. qualifies as an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting and can provide scaled disclosure regarding executive compensation. Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is

irrevocable during the period a company is an emerging growth company. Rhinebeck Bancorp, Inc. has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (1) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.07 billion or more; (2) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (3) the date on which such company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (4) the date on which such company is deemed to be a "large accelerated filer" under Securities and Exchange Commission regulations (generally, a "large accelerated filer" is defined as a corporation with at least $700 million of voting and non-voting equity held by non-affiliates).

The USA PATRIOT Act

The USA PATRIOT Act of 2001 gave the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. The USA PATRIOT Act also required the federal banking agencies to take into consideration the effectiveness of controls designed to combat money laundering activities in determining whether to approve a merger or other acquisition application of a member institution. Accordingly, if we engage in a merger or other acquisition, our controls designed to combat money laundering would be considered as part of the application process. We have established policies, procedures and systems designed to comply with these regulations.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. Rhinebeck Bancorp, Inc. has policies, procedures and systems designed to comply with these regulations, and we review and document such policies, procedures and systems to ensure continued compliance with these regulations.

Regulatory Enforcement Authority

Federal law provides federal banking regulators with substantial enforcement powers. This enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease-and-desist or removal orders, and initiate injunctive actions against banking organizations and institution-affiliated parties, as defined. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

FEDERAL AND STATE TAXATION

Federal Taxation

General. The Company and the Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to the Company and the Bank.

Method of Accounting. For federal income tax purposes, the Company currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its consolidated federal income tax returns.

Net Operating Loss Carryovers. Generally, a financial institution may carry forward net operating losses indefinitely and are subject to a limitation of 80% of taxable income. See Note 7 to Consolidated Financial Statements for additional information.

Capital Loss Carryovers. Generally, a financial institution may carry back capital losses to the preceding three taxable years and forward to the succeeding five taxable years. Any capital loss carryback or carryover is treated as a short-term capital loss for the year to which it is carried. As such, it is grouped with any other capital losses for the year to which carried and is used to offset any capital gains. Any un-deducted loss remaining after the five-year carryover period is not deductible. At December 31, 2020, Rhinebeck Bank had no capital loss carryovers.

Corporate Dividends. We may generally exclude from our income 100% of dividends received from Rhinebeck Bank as a member of the same affiliated group of corporations. As of December 31, 2020, no dividends had been paid by Rhinebeck Bank.

Audit of Tax Returns. Rhinebeck Bank's federal income tax returns have not been audited in the most recent three-year period.

State Taxation

Rhinebeck Bancorp, Inc. and Rhinebeck Bank report income on a combined fiscal year basis to New York State. The statutory tax rate is currently 6.5%. An alternative tax of 0.15% on apportioned capital is imposed to the extent that it exceeds the tax on apportioned income. The New York State alternative tax is capped at $5 million for a tax year and is gradually phased out over a six-year period. Thrift institutions that maintain a qualified residential loan portfolio are entitled to a specially computed modification that reduces the income taxable to New York State; this is the case for the Bank.

Item 1A. Risk Factors

In addition to factors discussed in the description of our business and elsewhere in this report, the following are factors that could adversely affect our future results of operations and financial condition.

Risks Related to the COVID-19 Pandemic and Associated Economic Slowdown

The economic impact of the COVID-19 pandemic could adversely affect our financial condition and results of operations.

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus, COVID-19, a pandemic. The state of the pandemic has been evolving and its impact, both directly and indirectly, has been and will be negatively impacting our business. Currently, the full effects of the pandemic are mostly speculative, very unpredictable, and depend upon many factors outside of the institution's control. Examples are the nature and duration of the pandemic (including the possibility of additional waves of outbreaks), the nature and scope of any resulting economic downturn, customer response and actions that the governmental authorities may take in response.

We do not carry business interruption insurance. If we are unable to recover from a business disruption on a timely basis or if the pandemic and its effects lead to recessionary conditions or a deterioration in economic conditions, we could be subject to any of the following consequences, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- *Charge-Offs.* The biggest risk the Bank faces due to the pandemic increased charge-offs as a result of the general overall economic disruption that has occurred and will occur. The amount of loss being faced by the Bank is unknowable. There are no past events of this magnitude that give rise to a suitable or reasonable method of comparable forecasting.

- *Adverse Economic Conditions.* Reduction in demand for our products, decreases in market values of loans and securities, impairment of intangible assets, decreases in interest and other income, and increases in customer delinquencies and defaults.

- *Loan and Credit Losses.* The mandated closure of non-essential businesses and the resulting wave of unemployed individuals may exist for an indeterminate period into the future and the recovery may be delayed by the practicalities of restarting the economy, which may adversely impact the quality of our loan portfolio. It is expected that the small and mid-size businesses that make up most of our commercial market presence, which rely on a steady continuing cash flow to support operations, may be particularly hard hit by closure and inability to quickly restart operations. Furthermore, we may be hampered by governmental regulation or executive orders that restrict or limit our ability to take certain actions that we would otherwise take, such as standard collection and foreclosure procedures. New York State has already required state-chartered banks to suspend foreclosures and payments on residential mortgages for a 90-day period for borrowers experiencing financial hardship due to COVID-19. The federal government has taken similar action under Title IV of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which provides that individuals with single-family, federally backed mortgages may request a 180-day mortgage forbearance (which can be extended for another 180 days) due to difficulties related to the virus. We have also voluntarily taken similar actions on a customer-by-customer basis.

- *Indirect Automobile Lending.* The essential shut down of the business of selling automobiles and the potential negative impact of the pandemic on consumers' ongoing financial health may reduce our interest income, increase rates of default and diminish collateral values. An extended disruption to this line of business and/or significantly increased loan defaults may be detrimental to our overall growth plans and profits as a result of disarray.

- *Real Estate Market and Real Estate Lending.* We face the risk that as a result of the impact of the pandemic our commercial and residential real estate markets may face reduced lending rates (which have reached an all-time low during the first quarter), decreasing property values, reducing demand for properties, and increasing vacancies if businesses fail or close locations.

- *Cybersecurity.* As a result of allowing remote access to primary banking systems, the Bank faces significantly increased cybersecurity risks. With the large number of employees working from home, the expanded number of access points creates additional opportunities for cyber criminals to exploit vulnerabilities. Employees may be more susceptible to phishing, social engineering attempts, or other ploys and efforts from those wishing to gain unauthorized access to our data.

- *Changes in Consumptive Behavior.* Consumers and businesses may continue to demonstrate changed behavior even after (and perhaps, long after) the crisis has diminished, including a decrease in discretionary spending. Some businesses may take longer to recover, including those that rely on travel or social gathering. Consumers may be hesitant to return to full social interactions, become more comfortable with technology, and perhaps learn to devalue the need for the traditional face-to-face transactions, which are generally deemed an asset to the community banking world.

- *Reliance on Important Vendors.* The Bank relies on vendors and other third parties to provide critical systems and services. Issues at these vendors and suppliers can have significant impact on the Bank's ability to function properly and continue to meet the demand for its services, which increase operating and other risks in this current and future environment.

- *Changes to Interest Rates.* In response to the pandemic, the Federal Reserve reduced the Federal Funds Rate to zero percent in March. The outlook for 2021 is uncertain and there is a possibility that the Federal Reserve may keep interest rates low or even use negative rates if economic conditions warrant. The Bank could be subject to significantly decreased interest income if such conditions persist for a significant length of time.

- *Other Impacts on Financial Condition.* Continuing decreases in our stock price and future cash flow projections reduced by deferrals, decreased earnings, or actual losses could have a negative impact on the valuation of goodwill, intangible assets, and long-lived and other assets.

- *Effects on Key Employees.* Our future success and profitability are substantially dependent upon the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key employees due to the pandemic could harm our ability to operate our business or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability.

- *Negative Impact to Investment Management Business Lines.* The Bank offers investment-related services through its RAM division. Volatile market conditions caused by the pandemic could reduce the value of assets under management and/or cause clients to withdraw funds. Further, the impact of limited access to our branch staff has reduced the ability to generate referrals that have been a source of new business for our investment arm. Extended or diminished face-to-face interactions with customers could reduce the growth potential of this line of business.

- *Pension Plan Assets.* A prolonged negative impact on the value of stocks and other asset classes will result in a significant reduction to pension plan asset values. This can impact us directly as we maintain a defined benefit pension plan and/or indirectly through the impact on our customers who maintain similar pension assets.

- *Reputational Risks.* Failure to meet customer demands for the SBA lending programs could create issues that negatively reflect on our community reputation.

Risks Related to our Lending Activities

Our automobile lending exposes us to increased credit risks.

At December 31, 2020, $376.3 million, or 42.9% of our total loan portfolio and 33.3% of our total assets, consisted of indirect automobile loans, which represents loans originated through automobile dealers for the purchase of new or used automobiles. At that date, $7.5 million, or 0.9% of our total loan portfolio, consisted of automobile loans that we originated directly. We serve customers that cover a range of creditworthiness and the required terms and rates are reflective of those risk profiles. Automobile loans are inherently risky as they are often secured by assets that may be difficult to locate and can depreciate rapidly. In some cases, repossessed collateral for a defaulted automobile loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency may not warrant further substantial collection efforts against the borrower. Automobile loan collections depend on the borrower's continuing financial stability, and therefore, are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy. Additional risk elements associated with indirect lending include the limited personal contact with the borrower as a result of indirect lending through non-bank channels, namely automobile dealers. We intend to continue to originate indirect automobile loans and to increase this type of lending. See "Item 1. Business — Loan Underwriting Risks."

Our emphasis on commercial real estate and commercial business lending involves risks that could adversely affect our financial condition and results of operations.

We intend to continue to originate commercial real estate and commercial business loans. At December 31, 2020, our commercial real estate (which includes multi-family real estate loans and commercial construction loans) and commercial business loans totaled $438.1 million, or 50.0% of our loan portfolio. While these types of loans are potentially more profitable than residential mortgage loans due primarily to bearing generally higher interest rates, they are generally more sensitive to regional and local economic conditions, making future losses more difficult to predict, and possibly more likely. These loans also generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, any charge-offs may be larger on a per loan basis than those incurred with our residential or consumer loans. See "Item 1. Business — Loan Underwriting Risks."

Our allowance for lease and loan losses may not be sufficient to cover actual loan losses.

We maintain an allowance for lease and loan losses, which is established through a provision for loan losses that represents management's best estimate of probable incurred losses within the existing portfolio of loans. We make various assumptions and judgments about the collectability of loans in our portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the adequacy of the allowance for lease and loan losses, we rely on our experience and our evaluation of economic conditions and other qualitative factors. If our assumptions prove to be incorrect, our allowance for lease and loan losses may not be sufficient to cover losses inherent in our loan portfolio, and adjustments may be necessary to address different economic conditions or adverse developments in the loan portfolio. Consequently, a problem with one or more loans could require us to significantly increase our provision for loan losses. In addition, federal and state regulators periodically review our allowance for lease and loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs. Significant additions to the allowance could materially decrease our net income.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

Risk Related to our Business Strategy

Our business strategy involves moderate growth, and our financial condition and results of operations may be adversely affected if we fail to grow or fail to manage our growth effectively.

Our assets increased $154.9 million, or 15.9%, from $973.9 million at December 31, 2019 to $1.13 billion at December 31, 2020, primarily due to increases in loans receivable and cash and due from banks. Over the next several years, we expect to experience moderate growth in our total assets and deposits, and the scale of our operations. Achieving our growth targets requires us to attract customers that currently bank at other financial institutions in our market. Our ability to grow successfully will depend on a variety of factors, including our ability to attract and retain experienced bankers, the availability of attractive business opportunities and competition from other financial institutions in our market area. While we believe we have the management resources and internal systems in place to successfully manage our future growth, there can be no assurance that growth opportunities will be available or that we will successfully manage our growth. If we do not manage our growth effectively, we may not be able to execute our business plan, which would have an adverse effect on our financial condition and results of operations.

Building market share through de novo branching may cause our expenses to increase faster than revenues.

We plan to continue to build market share by opening two newly acquired and two de novo branches in Orange County, New York in 2021. There are considerable costs involved in establishing new branches as they require time to generate sufficient revenues to offset their initial start-up costs. Accordingly, any new branch can be expected to negatively impact our earnings until the branch attracts a sufficient level of depositors and borrowers to offset expenses. We cannot assure you that our new branches will be successful even after they have been established.

Risk Related to Market Interest Rates

Changes in interest rates may reduce our profits.

Our profitability, like that of most financial institutions, depends to a large extent upon our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowed funds. Accordingly, our results of operations depend largely on movements in market interest rates and our ability to manage our interest-rate-sensitive assets and liabilities in response to these movements. Factors such as inflation, recession and instability in financial markets, among other factors beyond our control, may affect interest rates.

If interest rates rise, and the interest rates on our deposits increase faster than the interest rates we receive on our loans and investments, our interest rate spread would decrease, which would have a negative effect on our net interest income and profitability. Furthermore, increases in interest rates may adversely affect the ability of borrowers to make loan repayments on adjustable-rate loans, as the interest owed on such loans would increase as interest rates increase. Conversely, decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce their borrowing costs. Under these circumstances, we are subject to reinvestment risk as we may have to reinvest such loan or securities prepayments into lower-yielding assets, which may also negatively impact our income.

Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. Also, our interest rate risk modeling techniques and assumptions cannot fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results. For further discussion of how changes in interest rates could impact us, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Management of Market Risk."

Uncertainty relating to the LIBOR transition process and the phasing out of LIBOR may adversely affect us.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calibration of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021, which has been extended to June 30, 2023. We have certain trust preferred securities and limited commercial real estate loans that are indexed to LIBOR. We cannot predict whether and to what extent LIBOR will be supported or whether any additional reforms to LIBOR may be enacted. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR (with the exception of overnight repurchase agreements, which are expected to be based on the Secured Overnight Financing Rate ("SOFR"). When LIBOR rates are no longer available, and we are required to implement substitute indices for the calculation of interest rates under trust preferred securities and our loan agreements with our borrowers, we may experience significant expenses in effecting the transition, and may be subject to disputes or litigation with customers and creditors over the appropriateness or comparability to LIBOR of the substitute indices, which could have an adverse effect on our results of operations.

Risks Related to Laws and Regulations

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

We are subject to extensive regulation, supervision and examination by our banking regulators. Such regulation and supervision govern the activities in which a financial institution and its holding company may engage and are intended primarily for the protection of insurance funds and the depositors and borrowers of Rhinebeck Bank rather than for the protection of our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the ability to impose restrictions on our operations, classify our assets and determine the level of our

allowance for lease and loan losses. These regulations, along with the currently existing tax, accounting, securities, deposit insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations, legislation or supervisory action, may have a material impact on our operations.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers that open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations.

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the Securities and Exchange Commission and bank regulators, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

The Financial Accounting Standards Board has adopted a new accounting standard that will be effective for our fiscal year beginning January 1, 2023. This standard, referred to as Current Expected Credit Loss, or "CECL", will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan losses. This will change the current method of establishing allowances for loan losses that are probable, which may require us to increase our allowance for lease and loan losses, and increase the data we would need to collect and review to determine the appropriate level of our allowance for lease and loan losses. Moreover, the CECL model may create more volatility in the level of our allowance for loan losses.

We are subject to more stringent capital requirements, which may adversely impact our return on equity, or constrain us from paying dividends or repurchasing shares.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios, and define what constitutes "capital" for calculating these ratios. The regulations established a "capital conservation buffer" of 2.5%, which, when added to the minimum capital ratios, resulted in the following minimum ratios: (1) a common equity Tier 1 capital ratio of 7.0%, (2) a Tier 1 to risk-based assets capital ratio of 8.5%, and (3) a total capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that can be utilized for such actions.

The application of more stringent capital requirements could, among other things, result in lower returns on equity, and result in regulatory actions if we were to be unable to comply with such requirements. Implementation of changes to asset risk weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in management modifying its business strategy, and could limit our ability to make distributions, including paying out dividends or buying back shares. See "Item 1. Supervision and Regulation — Federal Bank Regulation — Capital Requirements."

Risks Related to Privacy, Security and Technology

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

We are subject to various privacy, information security and data protection laws, such as the Gramm-Leach-Bliley Act which, among other things requires privacy disclosures, and maintenance of a robust security program that are increasingly subject to change which could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information, and some of our current or planned business activities. New laws or changes to existing laws may increase our costs of compliance and business operations and could reduce income from certain business initiatives, including increased privacy-related enforcement activity, and higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our regulators also hold us responsible for privacy and data protection obligations performed by our third-party service providers while providing services to us. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations.

Systems failures or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities.

Our operations depend upon our ability to protect our computer systems and network infrastructure against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures designed to prevent such damage, our security measures may not be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations.

It is possible that we could incur significant costs associated with a breach of our computer systems. While we have cyber liability insurance, there are limitations on coverage. Furthermore, cyber incidents carry a greater risk of injury to our reputation. Finally, depending on the type of incident, banking regulators can impose restrictions on our business and consumer laws may require reimbursement of customer losses.

Our inability to successfully implement technological change may adversely impact our business.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new, technology-driven products and services which increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new, technology-driven products and services or be successful in marketing these products and services to our customers and service interruptions, which failure could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to Our Business and Operations

A deterioration in economic conditions could reduce demand for our products and services and/or result in increases in our level of non-performing loans, which could have an adverse effect on our results of operations.

Unlike larger financial institutions that are more geographically diversified, our profitability depends primarily on the general economic conditions in our primary market area. Local economic conditions have a significant impact on our lending, including the ability of borrowers to repay these loans and the value of the collateral securing these loans.

Deterioration in economic conditions could result in the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

- demand for our products and services may decrease;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value, thereby reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans;
- the value of our securities portfolio may decrease; and/or
- the net worth and liquidity of loan guarantors may decrease, thereby impairing their ability to honor commitments to us.

Moreover, a significant decline in general economic conditions, caused by a pandemic, inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control could further impact local economic conditions and could further negatively affect our financial performance. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

Our cost of operations is high relative to our assets. Our failure to maintain or reduce our operating expenses may reduce our profits.

Our non-interest expenses totaled $30.1 million and $27.9 million for the years ended December 31, 2020 and 2019, respectively. Although we continue to monitor our expenses and have achieved certain efficiencies, we have experienced increased costs. Moreover, our efficiency ratio, comparative to peers, remains high as a result of our higher operating expenses, even though we have increased our net interest income. Our efficiency ratio totaled 67.29% and 73.73% for the years ended December 31, 2020 and 2019, respectively. Failure to control or maintain our expenses may reduce future profits.

Changes in the valuation of our securities portfolio may reduce our profits and our capital levels.

Our securities portfolio may be affected by fluctuations in market value, potentially reducing accumulated other comprehensive income or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand.

Management evaluates securities for other-than-temporary impairment on a quarterly basis, with more frequent evaluation for selected issues. In analyzing a debt 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, industry analysts' reports and spread differentials between the effective rates on instruments in the portfolio compared to risk-free rates. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, we may take a charge to earnings to reflect such impairment. Changes in interest rates may also have an adverse effect on our financial condition, as our available-for-sale securities are reported at their estimated fair value, and therefore are affected by fluctuations in interest rates. We increase or decrease our stockholders' equity by the amount of change in the estimated fair value of the available-for-sale securities, net of taxes. Declines in market value may result in other-than-temporary impairments of these assets, which may lead to accounting charges that could have a material adverse effect on our net income and stockholders' equity.

Strong competition within our market area may reduce our profits and slow growth.

We face strong competition in making loans and attracting deposits. Price competition for loans and deposits sometimes requires us to charge lower interest rates on our loans and pay higher interest rates on our deposits and may reduce our net interest income. Many of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. Our competitors often aggressively price loan and deposit products when they enter into new lines of business or new market areas. If we are unable to effectively compete in our market area, our profitability would be negatively affected. The greater resources and broader offering of deposit and loan products of some of our competitors may also limit our ability to increase our interest-earning assets. Competition also makes it more difficult and costly to attract and retain qualified employees. For more information about our market area and the competition we face, see “Item 1. Business — Market Area” and “— Competition.”

Our success depends on retaining certain key personnel.

Our performance largely depends on the talents and efforts of highly skilled individuals who comprise our senior management team. We rely on key personnel to manage and operate our business, including major revenue generating functions such as loan and deposit generation and our wealth management business. The loss of key staff may adversely affect our ability to maintain and manage these functions effectively, which could negatively affect our income. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which would reduce our net income. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

Changes in management’s estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results.

In preparing the periodic reports we are required to file under the Securities Exchange Act of 1934, including our consolidated financial statements, our management is and will be required under applicable rules and regulations to make estimates and assumptions as of specified dates. These estimates and assumptions are based on management’s best estimates and experience at such times and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for lease and loan losses, the determination of our deferred income taxes, our fair value measurements, our determination of goodwill impairment, our evaluation of our defined benefit pension plan obligations and our determination of contingencies.

Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses.

Our risk management framework is designed to minimize risk and loss to us. We seek to identify, measure, monitor, report and control our exposure to risk, including strategic, market, liquidity, compliance and operational risks. While we use broad and diversified risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Recent economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased our level of risk. Accordingly, we could suffer losses if we fail to properly anticipate and manage these risks.

Risks Relating to Ownership of Our Common Stock

We may not pay any dividends on our common stock.

Rhinebeck Bancorp, Inc.’s board of directors has the authority to declare dividends on our common stock subject to statutory and regulatory requirements. We currently intend to retain all our future earnings, if any, for use in our business and do not expect to pay any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends will be made by our board of directors and will depend upon our financial condition, results of operations, capital requirements, restrictions under Federal Reserve Board regulations and policy, our business strategy

and other factors that our board of directors deems relevant. See “Item1. Business — Waivers of Dividends by Rhinebeck Bancorp, MHC”

Our common stock is not heavily traded, and the stock price may fluctuate significantly.

Our common stock is traded on The NASDAQ Capital Market, but the volume of shares traded is relatively small. Prices on stock that is not heavily traded, such as our common stock, can be more volatile than heavily traded stock. Factors such as our financial results, the introduction of new products and services by us or our competitors, publicity regarding the banking industry, and various other factors affecting the banking industry may have a significant impact on the market price of the shares the common stock. Management also cannot predict the extent to which an active public market for our common stock will develop or be sustained in the future. Accordingly, stockholders may not be able to sell their shares of our common stock at the volumes, prices, or times that they desire.

Persons who have purchased stock will own a minority of Rhinebeck Bancorp, Inc.’s common stock and will not be able to exercise voting control over most matters put to a vote of stockholders.

Public stockholders own a minority of the outstanding shares of Rhinebeck Bancorp, Inc.’s common stock. As a result, stockholders other than Rhinebeck Bancorp, MHC are not able to exercise voting control over most matters put to a vote of stockholders. Rhinebeck Bancorp, MHC owns a majority of Rhinebeck Bancorp, Inc.’s common stock and, through its board of directors, are able to exercise voting control over most matters put to a vote of stockholders. Generally, the same directors and officers who manage Rhinebeck Bank also manage Rhinebeck Bancorp, Inc. and Rhinebeck Bancorp, MHC. Our board of directors and officers or Rhinebeck Bancorp, MHC may take action that the public stockholders believe to be contrary to their interests. The only matters that stockholders other than Rhinebeck Bancorp, MHC are able to exercise voting control currently include any proposal to implement stock-based benefit plans or a “second-step” conversion. In addition, Rhinebeck Bancorp, MHC may exercise its voting control to prevent a sale or merger transaction in which stockholders could receive a premium for their shares.

Our stock value may be negatively affected by applicable regulations that restrict stock repurchases.

Applicable regulations restrict us from repurchasing our shares of common stock during the second and third years following the offering to 5% of our outstanding shares unless we obtain prior approval from the NYSDFS. Stock repurchases are a capital management tool that can enhance the value of a company’s stock, and our inability to repurchase any of our shares of common stock during the second and third years following the offering may negatively affect our stock price.

The Company’s Articles of Incorporation and Bylaws and Maryland law may discourage a corporate takeover.

The Company’s Articles of Incorporation and Bylaws contain certain provisions designed to enhance the ability of the Company’s board of directors to deal with attempts to acquire control of the Company. First, the board of directors is classified into three classes. Directors of each class serve for staggered three-year periods, and no director may be removed except for cause, and then only by the affirmative vote of a majority of the outstanding voting stock. Second, the board has the authority to classify and reclassify unissued shares of stock of any class or series of stock by setting, fixing, eliminating, or altering in any one or more respects the preferences, rights, voting powers, restrictions and qualifications of, dividends on, and redemption, conversion, exchange, and other rights of, such securities. The board could use this authority, along with its authority to authorize the issuance of securities of any class or series, to issue shares having terms favorable to management to a person or persons affiliated with or otherwise friendly to management. In addition, the Bylaws require any stockholder who desires to nominate a director to abide by strict notice requirements.

Maryland law also contains anti-takeover provisions that apply to the Company. The Maryland Business Combination Act generally prohibits, subject to certain limited exceptions, corporations from being involved in any “business combination” (defined as a variety of transactions, including a merger, consolidation, share exchange, asset transfer or issuance or reclassification of equity securities) with any “interested shareholder” for a period of five years following the most recent date on which the interested shareholder became an interested shareholder. An interested shareholder is defined generally as a person who is the beneficial owner of 10% or more of the voting power of the outstanding voting stock of a corporation after the date on which that corporation had 100 or more beneficial owners of its stock or who is an affiliate or associate of that corporation and was the beneficial owner, directly or indirectly, of 10% percent or more of the voting power of the then outstanding stock of that corporation at any time within the two-year period immediately prior to the date in question and after the date on which that corporation had 100 or more beneficial owners of its stock. The Maryland Control Share Acquisition Act applies to acquisitions of "control shares", which, subject to certain exceptions, are shares the acquisition of which entitle the holder, directly or indirectly, to exercise or direct the exercise of the voting power of shares of stock of a corporation in the election of directors within any of the following ranges of voting power: one-tenth or more, but less than one-third of all voting power; one-third or more, but less than a majority of all voting power or a majority or more of all voting power. Control shares have limited voting rights.

Although these provisions do not preclude a takeover, they may have the effect of discouraging, delaying or deferring a tender offer or takeover attempt that a shareholder might consider in his or her best interest, including those attempts that might result in a premium over the market price for the common stock. Such provisions will also render the removal of the Company's board of directors and of management more difficult and, therefore, may serve to perpetuate current management. These provisions could potentially adversely affect the market prices of the Company's securities.

We are an emerging growth company, and if we elect to comply only with the reduced reporting and disclosure requirements applicable to emerging growth companies, our common stock may be less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Investors may find our common stock less attractive if we choose to rely on these exemptions.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

At December 31, 2020, we conducted business through our corporate office in Poughkeepsie and 11 other retail banking offices located in Rhinebeck, Fishkill, Goshen, Hopewell Junction, Hyde Park, Kingston, Poughkeepsie (three branch offices), Red Hook and Wappingers Falls, two representative offices in Montgomery and Albany, as well as an additional stand-alone ATM located in Tivoli, New York. We own seven and lease seven properties, and own three other buildings situated on land controlled under long-term leases. At December 31, 2020, the net book value of our land, buildings, furniture, fixtures and equipment was $18.8 million.

Item 3. Legal Proceedings

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. At December 31, 2020, we were not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock of Rhinebeck Bancorp, Inc. is listed on The NASDAQ Capital Market under the symbol "RBKB". At February 28, 2021, Rhinebeck Bancorp, Inc. had 388 stockholders of record. Certain shares of the Company are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Item 6. Selected Financial Data

The information at December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019 is derived from the audited consolidated financial statements of the Company and included in this annual report on Form 10-K. The information at December 31, 2018, 2017 and 2016 and for the years ended December 31, 2018, 2017 and 2016 is derived from audited consolidated financial statements not appearing in this annual report on Form 10-K. For additional information, reference is made to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of Rhinebeck Bancorp and related notes included elsewhere in this annual report on Form 10-K.

	At December 31,				
	2020	2019	2018	2017	2016
			(In thousands)		
Selected Financial Condition Data:					
Total assets	$ 1,128,829	$ 973,946	$ 882,423	$ 742,103	$ 722,557
Cash and due from banks	93,485	11,978	50,590	10,460	12,976
Securities held-to-maturity	—	—	—	1,914	1,635
Securities available-for-sale	102,933	114,832	101,312	113,302	140,267
Loans receivable, net	873,813	793,471	678,402	566,178	512,594
Bank owned life insurance	18,877	18,457	18,018	17,577	17,391
Goodwill and other intangibles	1,609	1,651	1,694	1,831	3,507
Total liabilities	1,012,330	864,064	823,146	687,126	670,040
Deposits	929,364	773,343	684,418	650,105	639,675
Federal Home Loan Bank advances	50,674	66,304	31,598	14,900	9,500
Subordinated debt	5,155	5,155	5,155	5,155	5,155
Total stockholders' equity	$ 116,499	$ 109,882	$ 59,277	$ 54,977	$ 52,517

	For the Year Ended December 31,				
	2020	2019	2018	2017	2016
			(In thousands, except per share data)		
Selected Operating Data:					
Interest and dividend income	$ 44,395	$ 40,986	$ 33,730	$ 27,887	$ 25,566
Interest expense	8,019	8,739	5,320	3,300	3,050
Net interest income	36,376	32,247	28,410	24,587	22,516
Provision for loan losses	7,138	2,460	2,100	900	1,200
Net interest income after provision for loan losses	29,238	29,787	26,310	23,687	21,316
Non-interest income	8,303	5,630	5,181	8,057	7,038
Non-interest expense	30,065	27,925	26,120	25,144	24,344
Income before income tax expense	7,476	7,492	5,371	6,600	4,010
Income tax expense	1,559	1,529	1,014	3,598	1,321
Net income	$ 5,917	$ 5,963	$ 4,357	$ 3,002	$ 2,689
Earnings per share (basic and diluted)	$ 0.55	$ 0.56	$ —	$ —	$ —

	At or For the Year Ended December 31,				
	2020	2019	2018	2017	2016
Performance Ratios:					
Return on average assets[1]	0.55 %	0.65 %	0.55 %	0.41 %	0.39 %
Return on average equity[2]	5.17 %	5.73 %	7.82 %	5.45 %	5.04 %
Interest rate spread[3]	3.24 %	3.37 %	3.63 %	3.52 %	3.41 %
Net interest margin[4]	3.56 %	3.76 %	3.87 %	3.68 %	3.56 %
Efficiency ratio[5]	67.29 %	73.73 %	77.76 %	76.10 %	81.15 %
Average interest-earning assets to average interest-bearing liabilities	140.37 %	137.50 %	132.42 %	131.69 %	131.57 %
Gross loans to total assets	77.66 %	81.06 %	76.72 %	76.32 %	71.11 %
Equity to assets[6]	10.56 %	11.42 %	7.07 %	7.60 %	7.71 %
Capital Ratios[7]:					
Tier 1 capital (to adjusted total assets)	9.95 %	10.84 %	8.80 %	8.57 %	8.08 %
Tier I capital (to risk-weighted assets)	12.72 %	12.13 %	10.16 %	10.54 %	10.37 %
Total capital (to risk-weighted assets)	13.97 %	12.83 %	11.07 %	11.45 %	11.43 %
Common equity Tier 1 capital (to risk-weighted assets)	12.72 %	12.13 %	10.16 %	10.54 %	10.37 %
Asset Quality Ratios:					
Allowance for loan losses as a percent of total loans	1.33 %	0.75 %	0.98 %	0.96 %	1.14 %
Allowance for loan losses as a percent of non-performing loans	183.63 %	66.74 %	117.17 %	58.28 %	75.01 %
Net charge-offs to average outstanding loans	(0.17)%	(0.43)%	(0.15)%	(0.24)%	(0.15)%
Non-performing loans as a percent of total loans	0.72 %	1.13 %	0.84 %	1.65 %	1.52 %
Non-performing assets as a percent of total assets	0.57 %	1.06 %	0.83 %	1.56 %	1.46 %
Other Data:					
Book value per common share	$ 10.46	$ 9.87	—	—	—
Tangible book value per common share[8]	$ 10.32	$ 9.72	—	—	—
Number of offices	14	14	14	13	15
Number of full-time equivalent employees	171	166	163	153	152

(1) Represents net income divided by average total assets.
(2) Represents net income divided by average equity.
(3) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost on average interest-bearing liabilities.
(4) Represents net interest income as a percent of average interest-earning assets.
(5) Represents non-interest expense divided by the sum of net interest income and non-interest income.
(6) Represents average equity divided by average total assets.
(7) Capital ratios are for Rhinebeck Bank only. Rhinebeck Bancorp, Inc. is not subject to the minimum consolidated capital requirements as a small bank holding company with assets less than $3.0 billion.
(8) Represents a non-GAAP financial measure, see table below for a reconciliation of the non-GAAP financial measures.

NON-GAAP FINANCIAL INFORMATION

This Report contains financial information determined by methods other than in accordance with generally accepted accounting principles ("GAAP"). Such non-GAAP financial information includes the following measure: "tangible book value per common share." Management uses this non-GAAP measure because they believe that it may provide useful supplemental information for evaluating our operations and performance, as well as in managing and evaluating our business and in discussions about our operations and performance. Management believes this non-GAAP measure may also provide users of our financial information with a meaningful measure for assessing our financial results, as well as a comparison to financial results for prior periods. This non-GAAP measure should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP and are not necessarily comparable to other similarly titled measures used by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable measures as reported in accordance with GAAP are included below.

	At or For the Year Ended December 31,				
(In thousands, except per share amounts)	2020	2019	2018	2017	2016
Book value per common share reconciliation					
Total shareholders' equity (book value) (GAAP)	$ 116,499	$ 109,882	$ 59,277	$ 54,977	$ 52,517
Total shares outstanding[(1)]	11,133.29	11,133.29	-	-	-
Book value per common share	$ 10.46	$ 9.87	$ -	$ -	$ -
Total common equity					
Total equity (GAAP)	$ 116,499	$ 109,882	$ 59,277	$ 54,977	$ 52,517
Goodwill	(1,410)	(1,410)	(1,410)	(1,410)	(1,410)
Intangible assets	(199)	(241)	(284)	(326)	(727)
Tangible common equity (non-GAAP)	$ 114,890	$ 108,231	$ 57,583	$ 53,241	$ 50,380
Tangible book value per common share					
Tangible common equity (non-GAAP)	$ 114,890	$ 108,231	$ 57,583	$ 53,241	$ 50,380
Total shares outstanding[(1)]	11,133.29	11,133.29	-	-	-
Tangible book value per common share	$ 10.32	$ 9.72	$ -	$ -	$ -

(1) Prior to 2019, Rhinebeck Bank was the wholly-owned subsidiary of Rhinebeck Bancorp, MHC, a mutual holding company form of organization with no publicly held shares outstanding.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Strategy

Based on an extensive review of the current opportunities in our primary market area as well as our resources and capabilities, we are pursuing the following business strategies:

- ***Continue to grow our indirect automobile loan portfolio.*** We originate automobile loans through an active network of 146 automobile dealerships (91 in the Hudson Valley region and 55 in Albany, New York). Our indirect automobile loan portfolio totaled $376.3 million, or 42.9% of our total loan portfolio and 33.3% of total assets, at December 31, 2020 as compared to $360.6 million, or 45.7% of our total loan portfolio and 37.0% of total assets, at December 31, 2019. In addition, our direct automobile portfolio totaled $7.5 million at December 31, 2020. We plan to continue to grow our indirect automobile loan portfolio by increasing loan originations and by further expanding our presence in the Albany, New York area; however, our current policy limits our total indirect automobile loan portfolio to 45% of total assets.

- ***Focus on commercial real estate, multi-family real estate and commercial business lending.*** We believe that commercial real estate, multi-family real estate and general commercial business lending offer opportunities to invest in our community, while increasing the overall yield earned on our loan portfolio and assisting in managing interest rate risk. We intend to continue to increase our originations of these types of loans in our primary market area and may consider hiring additional lenders as well as originating loans secured by properties located in areas that are contiguous to our current market area. We also occasionally participate in commercial real estate loans originated in areas in which we do not have a market presence.

- ***Increase core deposits, including demand deposits.*** Deposits are our primary source of funds for lending and investment. We intend to focus on expanding our core deposits (which we define as all deposits except for certificates of deposit), particularly non-interest-bearing demand deposits, because they are the lowest cost funds and are less sensitive to withdrawal when interest rates fluctuate. Core deposits represented 78.4% of our total deposits at December 31, 2020 compared to 71.7% at December 31, 2019. Going forward, we will focus on increasing our core deposits by increasing our commercial lending activities and enhancing our relationships with our retail customers. We also plan to focus on increasing our market share in Orange County, New York and have received regulatory approval to open four branches in Orange County, which we expect to occur in the spring of 2021.

- ***Continue expense control.*** Management continues to focus on controlling our level of non-interest expense and identifying cost savings opportunities, such as monitoring our employee needs, renegotiating key third-party contracts and reducing other operating expenses. Our non-interest expense was $30.1 million and $27.9 million for the years ended December 31, 2020 and 2019, respectively.

- ***Manage credit risk to maintain a low level of non-performing assets.*** We believe that strong asset quality is a key to long-term financial success. Our strategy for credit risk management focuses on an experienced team of credit professionals, well-defined and implemented credit policies and procedures, conservative loan underwriting criteria and active credit monitoring. Our ratio of non-performing loans to total assets was 0.56% at December 31, 2020, which decreased from 0.92% at December 31, 2019.

- ***Grow the balance sheet.*** We have received regulatory approval to open four new branches in Orange County: two, Walden and Montgomery, as the result of a purchase from ConnectOne Bank, and two, Newburgh and Middletown, as de Novo locations. Previously stated as a geographical part of our service territory that we wish to develop, we expect that these locations will be fully operational by mid-year. We believe that these offices, and the Bank overall, will continue to benefit from a large customer base that prefers doing business with a local institution and may be reluctant to do business with larger institutions. By providing our customers with quality service, coupled with a home-town ambience, we expect to continue our strong organic growth. Also, as the pandemic retreats in the face of the increasing availability of vaccinations, we expect that the pentup demand of commercial activity will return to a more normal pace providing renewed growth opportunities for our loan portfolio.

Terms of Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. We consider the following to be our critical accounting policies:

Allowance for Lease and Loan Losses. The allowance for lease and loan losses is the estimated amount considered necessary to cover credit losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses which is charged against income. In determining the allowance for lease and loan losses, management makes significant estimates and has identified this policy as one of our most critical. The methodology for determining the allowance for lease and loan losses is considered a critical accounting policy by management due to the high degree of judgment involved, the subjectivity of the assumptions utilized and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for lease and loan losses.

As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans and discounted cash flow valuations of properties are critical in determining the amount of the allowance required for specific impaired loans. Assumptions for appraisals and discounted cash flow valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals and discounted cash flow valuations are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans.

Management performs a formal quarterly evaluation of the adequacy of the allowance for lease and loan losses. Consideration is given to a variety of factors in establishing the allowance including, but not limited to, current economic conditions, delinquency statistics, geographic and industry concentrations, the adequacy of the underlying collateral, the financial strength of the borrower, results of internal and external loan reviews and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revision based on changes in economic and real estate market conditions.

The analysis of the allowance for lease and loan losses has two components: specific and general allocations. Specific allocations are made for loans that are determined to be impaired. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating the remaining loans by type of loan and using applicable historical loss experience plus potential qualitative factors. Other qualitative factors including, but not limited to, delinquency trends, general economic conditions and geographic and industry concentrations are also considered. Actual loan losses may be significantly more than the allowance for lease and loan losses we have established which could have a material negative effect on our financial results. In addition, our banking regulators, as an integral part of their examination process, periodically review our allowance for loan losses. Our banking regulators may require us to recognize adjustments to the allowance based on judgments about information available to them at the time of its examination.

Goodwill and Intangible Assets. The assets (including identifiable intangible assets) and liabilities acquired in a business combination are recorded at fair value at the date of acquisition. Goodwill is recognized for the excess of the acquisition cost over the fair values of the net assets acquired and is not subsequently amortized. Identifiable intangible assets include customer lists and are being amortized on a straight-line basis over their estimated lives. Goodwill is not amortized, but it is tested at least annually for impairment in the fourth quarter, or more frequently if indicators of impairment are present. In evaluating whether it is more likely than not that the fair value is less than its carrying amount, management assessed seven qualitative factors including, but not limited to, macroeconomic conditions, industry and market considerations, overall financial performance and other relevant company-specific events. No impairment was recorded in 2020 or in 2019.

Intangible assets are amortized on a straight line basis over their assigned useful lives. The Company recognized $42,000 and $43,000 of amortization expense related to its intangible assets for each of the years ended December 31, 2020 and 2019, respectively. Accumulated amortization and impairment totaled $748,000 and $706,000 for the years ended December 31, 2020 and 2019, respectively. The Company periodically reviews the intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. Based on these reviews, no impairment was recorded in 2020 or 2019.

Employee Benefit Plans. The Bank maintains the Rhinebeck Bank 401(k) Plan (the "401(k) Plan") for substantially all of its employees, a defined benefit pension plan (frozen as of June 30, 2012), as well as Supplemental Executive Retirement Plans (the "SERPs"), all of which are tax qualified under the Internal Revenue Code.

Employee 401(k) plan expense is the amount of matching contributions. Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. SERP expense is the net of interest cost and service cost, which allocates the benefits over years of service.

We account for benefits under the defined plan in accordance with Accounting Standards Codification ("ASC") Topic 715 "Pension and Other Postretirement Benefits." The guidance requires an employer to: (1) recognize in its statement of financial position the over funded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation; (2) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (3) recognize as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs and credits that arise during the period.

The Bank created an employee stock ownership plan (the "ESOP") for the benefit of employees who meet certain eligibility requirements. The Bank makes cash contributions to repay the loan used to fund the common stock purchased by the ESOP on an annual basis.

The Company maintains an equity incentive plan to provide for issuance or granting of shares of common stock for stock options or restricted stock. The Company has recorded stock-based employee compensation cost using the fair value method as allowed under generally accepted accounting principles. Management estimated the fair values of all option grants using the Black-Scholes option-pricing model. Management estimated the expected life of the options using the simplified method as allowed under generally accepted accounting principles. The risk-free rate was determined utilizing the treasury yield for the expected life of the option contract.

Fair Value Measurements. We group our assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level I — Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level II — Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level III — Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset.

We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in generally accepted accounting principles.

Fair value measurements for most of our assets are obtained from independent pricing services that we have engaged for this purpose. When available, we, or our independent pricing service, use quoted market prices to measure fair value. If market prices are not available, fair value measurement is based upon models that incorporate available trade, bid, and other market information. Subsequently, all of our financial instruments use either of the foregoing methodologies to determine fair value adjustments recorded to our financial statements. In certain cases, however, when market observable inputs for model-based valuation techniques may not be readily available, we are required to make judgments about assumptions market participants would use in estimating the fair value of financial instruments. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. In addition, changes in the market conditions may reduce the availability of quoted prices or observable data. When market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future valuations.

Other-than-Temporary Investment Security Impairment. Securities are evaluated periodically to determine whether a decline in their value is other-than-temporary. Management utilizes criteria such as the magnitude and duration of the decline, in addition to the reasons underlying the decline, to determine whether the loss in value is other-than-temporary. The term "other-than-temporary" is not intended to indicate that the decline is permanent but indicates that the prospect for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. We consider the determination of this valuation allowance to be a critical accounting policy because of the need to exercise significant judgment in evaluating the amount and timing of recognition of deferred tax liabilities and assets, including projections of future taxable income. These judgments and estimates are reviewed on a continual basis as regulatory and business factors change. A valuation allowance for deferred tax assets may be required if the amount of taxes recoverable through loss carryback declines, or if we project lower levels of future taxable income. Such a valuation allowance would be established through a charge to income tax expense which would adversely affect our operating results.

Impact of COVID-19

The COVID-19 pandemic in the United States is expected to continue to have a complex and significant adverse impact on the economy, the banking industry and the Company in future periods, all subject to a high degree of uncertainty.

Effects on Our Market Areas.

Our commercial and consumer banking products and services are offered primarily in the Hudson Valley of New York, where individual and governmental responses to the COVID-19 pandemic have led to a broad curtailment of economic activity beginning in March 2020. On that date, the Governor announced a statewide stay-at-home order, also known as the NYS on PAUSE Program, with a mandate that all non-essential workers work from home and only businesses declared as essential by the program were allowed to stay open. As cases of COVID-19 declined, New York began a phased-in reopening with the Hudson Valley reaching Phase 1 reopening on May 26, 2020 and reaching the

final Phase 4 on July 7, 2020. Even with the Phase 4 reopening business operations remain limited and many people still engage in limited activities. As a result of the pandemic, the state has experienced an increase in unemployment levels from an average of 3.7% in December of 2019 to 8.2% in December of 2020.

Policy and Regulatory Developments.

Federal, state, and local governments and regulatory authorities have enacted a range of policy responses to the COVID-19 pandemic, including the following:

- The Federal Reserve decreased the range for the federal funds target rate by 0.5 percent on March 3, 2020, and by another 1.0 percent on March 16, 2020, reaching a current range of 0.0 - 0.25 percent.

- On March 27, 2020, President Trump signed the CARES Act, which established a $2 trillion economic stimulus package, including cash payments to individuals, supplemental unemployment insurance benefits and a $349 billion loan program (later increased to $660 billion) administered through the SBA. Under the PPP, small businesses, sole proprietorships, independent contractors and self-employed individuals may apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. The Bank is participating as a lender in the PPP. In addition, the CARES Act provides financial institutions the option to temporarily suspend certain requirements under GAAP related to TDRs for a limited period of time to account for the effects of COVID-19. Without this suspension, multiple loans would have been required to be reclassified as TDRs, which would have effectively put them into non-accrual status, thereby reducing the recognition of interest income until their active statuses could be restored.

- On April 7, 2020, federal banking regulators issued a revised Interagency Statement on Loan Modifications and Reporting for Financial Institutions, which, among other things, encouraged financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19, and stated that institutions generally do not need to categorize COVID-19-related modifications that meet certain criteria as TDRs and that the agencies will not direct supervised institutions to automatically categorize all COVID-19-related loan modifications as TDRs.

- The Consolidated Appropriations Act, 2021 ("CAA") was signed into law on December 27, 2020. Among other provisions, including jobless benefits and stimulus checks, the $900 billion package included an additional $284 billion for the PPP program, and, in addition to other program changes, made it possible for businesses to apply for a second PPP loan up to a maximum loan amount of $2.0 million. The CAA also rescinded the $147 billion that had remained in the program at the end of the second round of PPP funding initiatives. The SBA reopened the PPP on January 11, 2021.

Pandemic Operational Preparations and Status.

Since mid-March, the Company and the Bank have felt the impact of this global pandemic. In response to the state of emergency, the Bank had temporarily suspended lobby services, which were re-opened on June 1, 2020 and then closed again on December 7, 2020 due to the uptick in cases. Drive-thru, mobile, and online banking continue to be the Bank's primary channels of serving customers during this time and remain important delivery channels during the pandemic. Various operational measures remain in effect to encourage social distancing and enhanced cleaning and sanitizing procedures continue at all office, drive-thru locations and ATM terminals. A Workplace Safety Program was established in May to provide employees a safe and healthy workplace. A phased/staggered return of non-branch staff began in June and the majority of our employees have returned to the office. The wearing of face masks is mandatory in all Bank locations and employee wellness is monitored daily. We continue to watch the latest COVID-19 developments and are following guidance provided by the Centers for Disease Control, as well as federal, state, and local agencies.

Effects on Our Business.

We expect that the COVID-19 pandemic and the specific developments referred to above could have a significant negative impact on our business. In particular, we anticipate that a significant portion of the Bank's borrowers in the hotel, restaurant and retail industries will continue to endure significant economic distress, which has caused, and may continue to cause, them to draw on their existing lines of credit and adversely affect their ability to repay existing indebtedness and is expected to adversely impact the value of collateral. These developments, together with economic conditions generally, are also expected to impact our commercial real estate portfolio, particularly with respect to real estate with exposure to these industries, and the value of certain collateral securing our loans. As a result, we anticipate that our financial condition, capital levels and results of operations will be adversely affected, as described in further detail below.

Loan Composition and Activity.

The following table provides information with respect to our commercial and industrial and commercial real estate loans by type at December 31, 2020 (dollars in thousands).

	December 31, 2020		
	Number of Loans	Balance	Percent
Commercial loans:			
Accommodation and Food Services	152	$ 23,418	5.34 %
Administrative and Support and Waste Management and Remediation Services	93	6,184	1.41 %
Agriculture, Forestry, Fishing and Hunting	22	4,189	0.96 %
Arts, Entertainment and Recreation	47	8,313	1.90 %
Construction	261	25,522	5.83 %
Educational Services	15	4,799	1.10 %
Finance and Insurance	21	1,447	0.33 %
Health Care and Social Assistance	137	22,349	5.10 %
Information	10	1,375	0.31 %
Loans to Individuals	354	66,106	15.09 %
Management of Companies and Enterprises	1	1,468	0.34 %
Manufacturing	96	15,952	3.64 %
Mining	5	432	0.10 %
Other Services	125	9,644	2.20 %
Professional, Scientific and Technical Services	102	10,163	2.32 %
Real Estate and Rental and Leasing	446	211,028	48.15 %
Retail Trade	118	13,933	3.18 %
Transportation and Warehousing	48	2,448	0.56 %
Wholesale Trade	35	9,366	2.14 %
Total loans	2,088	$ 438,136	100.00 %

U.S. Small Business Administration Paycheck Protection Program.

As part of the CARES Act and the CAA, the PPP Loan Program allocated almost $800 billion in funds to assist small businesses. Rhinebeck Bank, as a qualified SBA lender, is an authorized participant in this program.

To meet customer demand, a bank-wide team was formed to provide communications to our customer base, establish procedures and documentation to accept loan applications under the PPP program, evaluate potential automated system solutions to process the loan applications, allocate resources to underwrite the loans, submit applications to the SBA for approval, develop new documents for the loans, and close, fund, and book the loans.

The program discontinued accepting new loan applications on August 8, 2020 and was reopened January 11, 2021. As of December 31, 2020, we had received 695 applications for $92.8 million of loans under the PPP. We received SBA approval for 674 applications totaling $92.0 million all of which had been funded. As of December 31, 2020, there were $75.4 million of PPP loans outstanding.

Deferred loan origination fees related to the PPP loans, net of deferred loan origination costs, totaled $3.3 million at December 31, 2020. We recorded amortization of net deferred loan origination fees of $2.1 million on PPP loans for the year ended December 31, 2020. The remaining net deferred loan origination fees will be amortized over the

life of the respective loans, or until forgiven by the SBA, and will be recognized in net interest income. The Company will be assisting customers through the second round of the SBA's PPP program which began in January of 2021.

To assure adequate funding of the additional loan demand, the Bank became a participant in the Federal Reserve's Payroll Protection Program Lending Facility, which allowed us to present these loans as collateral for 100% principal credit at the Federal Reserve's discount window. The term of these loans mirrored the actual maturity of the underlying collateral and had a fixed interest rate of 0.35%. While during the year we had borrowed up to $70.1 million, at December 31, 2020 all of the borrowings had been repaid.

COVID-19 Loan Forbearance Programs

Section 4013 of the CARES Act provides that a qualified loan modification is exempt by law from classification as a TDR pursuant to GAAP. In addition, the Office of the Comptroller of the Currency ("OCC") in coordination with other federal agencies and in consultation with state financial regulators, issued OCC Bulletin 2020-35, which provided more limited circumstances in which a loan modification is not subject to classification as a TDR.

For consumer borrowers, the Bank is providing deferment of payments for indirect and direct automobile loans for up to sixty (60) days and an additional thirty (30) days, if needed. We are also providing forbearance to our residential real estate borrowers which allows them to defer their principal and interest payments for up to ninety (90) days and an option for an additional ninety (90) days, if needed. In addition, for commercial borrowers we are providing deferment and forbearance options that include interest-only and tax escrow only payments. Some borrowers meeting the Bank's underwriting criteria have been granted working capital loans to provide financial assistance. These deferrals are maintained within the CARES Act guidance and have not exceeded twelve consecutive months of deferred payment.

Throughout 2020, the Bank had approved 2,095 loan deferrals totaling $122.6 million, not including 138 loans, totaling $24.5 million, previously sold in the secondary market and serviced for others. The majority of the modifications granted to customers expired during the third quarter of 2020, and at December 31, 2020, we had 194 loans totaling $40.2 million of remaining deferrals outstanding and all were performing in accordance to their contractual terms. Pursuant to the CARES Act, these loan deferrals are not included in our non-performing loans.

Details with respect to the approved Bank-owned deferral requests as of December 31, 2020 are as follows (dollars in thousands):

	Number of Loans	Balance	Weighted Rate
Commercial real estate loans:			
Non-residential	66	$ 67,342	4.3 %
Multi-family	4	2,716	4.4 %
Residential real estate loans	15	4,197	4.6 %
Commercial and industrial loans	124	14,996	5.1 %
Consumer loans:			
Indirect automobile	1,809	31,927	7.9 %
Home equity	9	472	3.7 %
Other consumer	68	963	6.5 %
Total loans	2,095	$ 122,613	5.4 %

Details with respect to the active Bank-owned deferral requests as of December 31, 2020 are as follows (dollars in thousands):

	Number of Loans	Balance	Weighted Rate	Accrued Interest
Commercial real estate loans:				
Non-residential	18	$ 32,891	4.4 %	$ 514
Commercial and industrial loans	19	4,823	5.4 %	135
Consumer loans:				
Indirect automobile	156	2,478	9.4 %	34
Home equity	0	—	— %	—
Other consumer	1	10	8.6 %	—
Total loans	194	$ 40,202	4.8 %	$ 683

Comparison of Financial Condition at December 31, 2020 and December 31, 2019

Total Assets. Total assets were $1.13 billion at December 31, 2020, representing an increase of $154.9 million, or 15.9%, compared to $973.9 million at December 31, 2019. The increase was primarily related to an increase in the net loan portfolio of $80.3 million, an $81.5 million increase in cash balances and the establishment of a right-of-use asset of $6.3 million at December 31, 2020 due to the current year adoption of the Accounting Standards Update 2016-02, Leases (Topic 842). A decrease of $11.9 million, or 10.4%, in available for sale securities only partially offset these increases.

Cash and Due from Banks. Cash and due from banks increased $81.5 million, or 680.5%, to $93.5 million at December 31, 2020 from $12.0 million at December 31, 2019 primarily due to an increase in deposits held at the Federal Reserve Bank of New York with excess funds as deposit growth exceeded loan growth.

Investment Securities Available for Sale. Investment securities available for sale decreased $11.9 million, or 10.4%, to $102.9 million at December 31, 2020 from $114.8 million at December 31, 2019. The decrease was primarily due to principal payments and maturities of $45.0 million and sales and calls of $7.0 million, partially offset by $37.0 million in mortgage-backed securities purchases, $2.2 million in bank subordinated debt purchases, and a $1.5 million increase in the portfolio's unrealized gain during the period.

Net Loans. Net loans receivable were $873.8 million at December 31, 2020, an increase of $80.3 million, or 10.1%, as compared to December 31, 2019. The increase was primarily due to $74.1 million of net outstanding SBA PPP loan balances. The increase in net commercial real estate loans totaled $15.4 million, or 5.7%, as compared to December 31, 2019. Our net indirect auto loan balances increased $16.0 million or 4.3% over the year 2020. During the year, our allowance for loan losses increased $5.7 million, or 95.4%, to reflect the growth in our portfolio and the significant negative impact of the change in the quantitative and qualitative factors due to the COVID-19 pandemic.

Total Liabilities. Total liabilities increased $148.3 million in 2020 primarily due to an increase in deposits of $156.0 million, or 20.2%, and the establishment of the lease liability included in accrued expenses and other liabilities of $6.3 million at December 31, 2020, partially offset by a decrease of $15.6 million in FHLB advances.

Deposits. Deposits increased $156.0 million, or 20.2%, to $929.4 million at December 31, 2020. Interest bearing accounts grew 15.3%, or $90.9 million, to $685.0 million. NOW accounts increased $46.0 million, or 48.1%, savings accounts increased $36.3 million, or 29.9%, and money market accounts increase $26.6 million, or 16.8%. Certificates of deposit decreased $18.0 million, or 8.2%, to $200.6 million at December 31, 2020. Non-interest bearing balances increased 36.3%, or $65.1 million, finishing the year at $244.3 million. Mortgagors' escrow accounts increased 4.8% to $8.5 million at December 31, 2020.

Borrowed Funds. Advances from the FHLB decreased $15.6 million, or 23.6%, from $66.3 million at December 31, 2019 to $50.7 million at December 31, 2020 as there was no need to replace maturing advances due to deposit growth.

Stockholders' Equity. Stockholders' equity increased $6.6 million to $116.5 million at December 31, 2020, primarily due to net income of $5.9 million and a $1.2 million increase in the net unrealized gain on available for sale securities. The Company's ratio of average equity to average assets was 10.56% for the year ended December 31, 2020 and 11.42% for the year ended December 31, 2019. Book value per share was $10.46 and $9.87 for the years ended December 31, 2020 and 2019, respectively. Tangible book value per share was $10.32 and $9.72 for the years ended December 31, 2020 and 2019, respectively, see Item 6. Selected Financial Data – Non-GAAP Financial Information.

Comparison of Operating Results for the Years Ended December 31, 2020 and December 31, 2019

Net Income. Net income for the year ended December 31, 2020 was $5.9 million ($0.55 per basic and diluted share), compared with $6.0 million ($0.56 per basic and diluted share) for the year ended December 31, 2019, a decrease of $46,000, or 0.8%. Interest and dividend income increased $3.4 million, or 8.3%, interest expense decreased $720,000, or 8.2%, the provision for loan losses increased $4.7 million, or 190.2%, and noninterest income increased $2.7 million, or 47.5%, while other expenses and taxes increased $2.2 million, or 7.4%, as compared to 2019. Our significantly increased provision expense, due to the negative impacts of the COVID-19 pandemic, was the single largest reason for the decrease in earnings year over year. Increased gain on sales of loans had a significant positive impact on our net income for the year.

Net Interest Income. Net interest income increased $4.1 million, or 12.8%, to $36.4 million for the year ended December 31, 2020, as compared to $32.2 million in 2019. The increase was primarily driven by higher interest-earning asset balances and the favorable impact of lower rates on deposit and borrowing costs, which was partially offset by lower yields on earning assets primarily as a result of the addition of the lower-yielding PPP loan balances and the low market interest rates. This large addition of PPP loans was the primary reason our net interest margin declined 20 basis points to 3.56% for the year ended December 31, 2020 compared to 3.76% for 2019. The ratio of average interest-earning assets to average interest-bearing liabilities improved 2.1% to 140.37%. The yield on interest earning assets decreased 43 basis points to 4.34% in 2020 from 4.77%, primarily due to the addition of lower yielding PPP loans, while deposit and borrowing costs decreased 30 basis points to 1.10% in 2020 from 1.40% for 2019 driven by decreases in general market rates and efforts to maintain our margin.

Interest Income. Interest income increased $3.4 million, or 8.3%, to $44.4 million for fiscal year 2020 from $41.0 million for fiscal year 2019. The increase resulted from a $164.8 million increase in average interest earning assets during the year partially offset by a decrease in average yields. The increase in average interest earning assets during 2020 compared to 2019 included increases in average loan balances of $128.6 million and an increase in average interest bearing depository accounts of $37.5 million. The average yield on loans decreased to 4.86% for the fiscal year 2020, from 5.16% for the fiscal year 2019. The average yields on investment securities decreased to 1.88% for the fiscal year 2020 from 2.33% for 2019.

Interest Expense. Interest expense decreased $720,000, or 8.2%, to $8.0 million for fiscal year 2020 from $8.7 million for fiscal year 2019. This was due to a 30 basis point decrease in the overall cost of interest bearing liabilities to 1.10% for fiscal 2020 from 1.40% for fiscal 2019 partially offset by an increase in average interest bearing liability balances of $104.6 million, or 16.8%, year over year.

Provision for Loan Losses. The Company establishes provisions for loan losses, which are charged to earnings, at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the financial statements. In evaluating the level of the allowance for lease and loan losses, management considers historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, peer group information and prevailing economic conditions, among other qualitative factors. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events occur.

The provision was $7.1 million for the year ended December 31, 2020, an increase of $4.7 million, or 190.2%, as compared to the year ended December 31, 2019. The increase in the provision was mainly attributable to the significant negative impact of the change in both quantitative and qualitative factors reflecting the diminished economic environment and the resultant increased financial risk for the Bank's borrowers, which, more than likely, will lead to some credit quality deterioration. The increase in our loan loss allowance related to the economic environment was based, in major part, on the number of loans that had their payments deferred which increases the risk of defaults. Net charge-offs for the year ended December 31, 2020 totaled $1.5 million, compared to $3.2 million, for the year ended 2019. The decrease was specifically due to two large commercial real estate loans totaling $1.8 million that became impaired and were partially charged off in the fourth quarter of 2019.

Although we believe that we use the best information available to establish the allowance for lease and loan losses, future additions to the allowance may be necessary, based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. In addition, the FDIC and NYSDFS, as an integral part of its examination process, will periodically review our allowance for lease and loan losses. These agencies may require us to recognize adjustments to the allowance, based on their judgments about information available to them at the time of their examination.

Non-Interest Income. Non-interest income increased $2.7 million, or 47.5%, to $8.3 million for the year ended December 31, 2020 compared with $5.6 million for the year ended December 31, 2019. In the year ended December 31, 2020, net gain on the sale of loans increased $2.6 million, or 221.3%, sales of other real estate owned increased $498,000 and investment advisory income increased $344,000, or 36.4%. These increases were offset by a $548,000 decrease in service charges on deposit accounts and a $219,000 decrease in other non-interest income due primarily to the increased amortization of mortgage servicing rights. The Bank sold $95.0 million of longer-term fixed-rate mortgage loans in 2020 compared to $48.0 million of such loans in 2019 as the favorable rate environment encouraged refinancing. The increases in advisory income resulted as money flowed into the market and as investors took interest in the safety of annuities. The decrease in service charges on deposit accounts was primarily due to a decrease in overdraft fees and reduced transaction activity due to regulatory restrictions and the pandemic.

Non-Interest Expense. For the year ended December 31, 2020, non-interest expenses increased $2.1 million, or 7.7%, to $30.1 million, as compared to $27.9 million in 2019. Salaries and benefits increased $1.2 million, or 7.5%, which was primarily attributable to annual merit increases, production incentives and employee benefit expense increases. FDIC deposit insurance increased $319,000, or 66.7%, due to an assessment credit received in the prior year. Professional fees increased $262,000 as legal and consulting fees increased. Other noninterest expense increased $409,000, or 8.6%. The increase in other noninterest expense was primarily due to an initial estimated reserve of $350,000 for potential consumer compliance issues in the Bank's indirect automobile portfolio. However, additional reserves in the future may be required.

Income Taxes. Income tax provision increased by $30,000 to $1.6 million for the year ended December 31, 2020 as compared to 2019. Our effective tax rate for the year ended December 31, 2020 was 20.9% compared to 20.4% in 2019.

Average Balance Sheets for the Years Ended December 31, 2020, 2019 and 2018

The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances, the yields set forth below include the effect of deferred fees and discounts and premiums that are amortized or accreted to interest income.

	For the Year Ended December 31,								
	2020			2019			2018		
	Average Balance	Interest and Dividends	Yield/Cost	Average Balance	Interest and Dividends	Yield/Cost	Average Balance	Interest and Dividends	Yield/Cost
	(Dollars in thousands)								
Assets:									
Interest bearing depository accounts	$ 40,547	$ 47	0.12 %	$ 3,003	$ 60	2.00 %	$ 3,009	$ 61	2.03 %
Loans[(1)]	869,428	42,215	4.86 %	740,814	38,255	5.16 %	623,404	31,314	5.02 %
Available for sale securities	113,163	2,133	1.88 %	114,536	2,671	2.33 %	108,454	2,355	2.17 %
Total interest-earning assets	1,023,138	44,395	4.34 %	858,353	$ 40,986	4.77 %	$ 734,867	$ 33,730	4.59 %
Non-interest-earning assets	60,435			52,730			54,244		
Total assets	$ 1,083,573			$ 911,083			$ 789,111		
Liabilities and equity:									
NOW accounts	$ 114,305	$ 261	0.23 %	$ 96,809	$ 289	0.30 %	$ 100,039	$ 252	0.25 %
Money market accounts	169,978	1,717	1.01 %	141,953	1,860	1.31 %	128,757	1,152	0.89 %
Savings accounts	139,946	329	0.24 %	121,086	396	0.33 %	126,404	334	0.26 %
Certificates of deposit	222,002	4,263	1.92 %	192,341	4,348	2.26 %	150,219	2,370	1.58 %
Total interest-bearing deposits	646,231	6,570	1.02 %	552,189	6,893	1.25 %	505,419	4,108	0.81 %
Escrow accounts	8,807	101	1.15 %	8,074	96	1.19 %	7,704	95	1.23 %
FHLB and FRB advances	68,685	1,209	1.76 %	59,074	1,529	2.59 %	36,455	890	2.44 %
Subordinated debt	5,155	139	2.70 %	4,929	221	4.48 %	5,367	227	4.23 %
Other interest-bearing liabilities	82,647	1,449	1.75 %	72,077	1,846	2.56 %	49,526	1,212	2.45 %
Total interest-bearing liabilities	728,878	8,019	1.10 %	624,266	$ 8,739	1.40 %	$ 554,945	$ 5,320	0.96 %
Non-interest-bearing deposits	223,611			169,145			164,553		
Other non-interest-bearing liabilities	16,665			13,604			13,862		
Total liabilities	969,154			807,015			$ 733,360		
Total stockholders' equity	114,419			104,068			55,751		
Total liabilities and stockholders' equity	$ 1,083,573			$ 911,083			$ 789,111		
Net interest income		$ 36,376			$ 32,247			$ 28,410	
Interest rate spread			3.24 %			3.37 %			3.63 %
Net interest margin[(2)]			3.56 %			3.76 %			3.87 %
Average interest-earning assets to average interest-bearing liabilities			140.37 %			137.50 %			132.42 %

(1) Non-accruing loans are included in the outstanding loan balance.

(2) Represents the difference between interest earned and interest paid, divided by average total interest earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Year Ended December 31, 2020 Compared to Year Ended December 31, 2019			Year Ended December 31, 2019 Compared to Year Ended December 31, 2018		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(In thousands)					
Interest income:						
Interest bearing depository accounts	$ (14)	$ 1	$ (13)	$ —	$ (1)	$ (1)
Loans receivable	6,037	(2,077)	3,960	6,041	900	6,941
Marketable securities	(32)	(506)	(538)	136	180	316
Total interest-earning assets	5,991	(2,582)	3,409	6,177	1,079	7,256
Interest expense:						
Deposits	(2,506)	2,183	(323)	884	1,901	2,785
Escrow accounts	8	(3)	5	3	(2)	1
Federal Home Loan Bank advances	331	(651)	(320)	583	56	639
Subordinated debt	11	(93)	(82)	(21)	15	(6)
Total interest-bearing liabilities	(2,156)	1,436	(720)	1,449	1,970	3,419
Net increase in net interest income	$ 8,147	$ (4,018)	$ 4,129	$ 4,728	$ (891)	$ 3,837

Management of Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage our exposure to changes in market interest rates. Accordingly, the Board of Directors maintains a management-level Asset/Liability Management Committee (the "ALCO"), which takes initial responsibility for reviewing the asset/liability management process and related procedures, establishing and monitoring reporting systems and ascertaining that established asset/liability strategies are being maintained. On at least a quarterly basis, the ALCO reviews and reports asset/liability management outcomes with the Board of Directors. This committee also implements any changes in strategies and reviews the performance of any specific asset/liability management actions that have been implemented.

We try to manage our interest rate risk to minimize the exposure of our earnings and capital to changes in market interest rates. We have implemented the following strategies to manage our interest rate risk: originating loans with adjustable interest rates, selling longer-term fixed-rate residential mortgage loans, promoting core deposit products and adjusting the interest rates and maturities of funding sources, as necessary. By following these strategies, we believe that we are better positioned to react to changes in market interest rates.

Net Economic Value Simulation. We analyze our sensitivity to changes in interest rates through a net economic value of equity ("EVE") model. EVE represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities adjusted for the value of off-balance sheet contracts. The EVE ratio represents the dollar amount of our EVE divided by the present value of our total assets for a given interest rate scenario. EVE attempts to quantify our economic value using a discounted cash flow methodology while the EVE ratio reflects that value as a form of capital ratio. We estimate what our EVE would be at a specific date. We then calculate what the EVE would be at the same date throughout a series of interest rate scenarios representing immediate and permanent, parallel shifts in the yield curve. We currently calculate EVE under the assumptions that interest rates

increase 100, 200, 300 and 400 basis points from current market rates and that interest rates decrease 100 basis points from current market rates.

The following table presents the estimated changes in our EVE that would result from changes in market interest rates at December 31, 2020. All estimated changes presented in the table are within the policy limits approved by our Board of Directors.

	Net Economic Value			Net Economic Value as Percent of of Assets	
Basis Point Change in Interest Rates	Dollar Amount	Dollar Change	Percent Change	EVE Ratio	Percent Change
400	$ 105,442	$ 8,606	8.9 %	10.07 %	17.6 %
300	105,018	8,182	8.4 %	9.84 %	15.0 %
200	103,938	7,102	7.3 %	9.55 %	11.6 %
100	101,968	5,132	5.3 %	9.18 %	7.3 %
0	96,836	—	— %	8.56 %	— %
(100)	$ 73,273	$ (23,563)	(24.3)%	6.35 %	(25.8)%

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The above table assumes that the composition of our interest-sensitive assets and liabilities existing at the date indicated remains constant uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our EVE and will differ from actual results.

Liquidity and Capital Resources

We maintain liquid assets at levels we consider adequate to meet both our short-term and long-term liquidity needs. We adjust our liquidity levels to fund deposit outflows, repay our borrowings and to fund loan commitments. We also adjust liquidity as appropriate to meet asset and liability management objectives.

Our primary sources of liquidity are deposits, loan sales, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, and earnings and funds provided from operations, as well as access to FHLB advances and other borrowings. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan sales and prepayments are greatly influenced by market interest rates, economic conditions, and rates offered by our competition. We set the interest rates on our deposits to maintain a desired level of total deposits.

A portion of our liquidity consists of cash and cash equivalents and borrowings, which are a product of our operating, investing, and financing activities. At December 31, 2020, $93.5 million of our assets were invested in cash and cash equivalents. Short-term investment securities (maturing in one year or less) totaled $102,000 at December 31, 2020. As of December 31, 2020, we had $50.7 million of structured borrowings outstanding from the FHLBNY. We have access to FHLB advances of up to $564.3 million.

At December 31, 2020, we had $98.1 million in loan commitments outstanding, which included $3.5 million in undisbursed construction loans, $10.7 million in unused home equity lines of credit, $63.9 million in commercial lines of credit, $14.3 million in future loan commitments and $5.7 million in standby letters of credit. Certificates of deposit due within one year of December 31, 2020 totaled $147.6 million, or 73.6% of certificates of deposit. If these maturing deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before December 31, 2020. We believe, however, based on past experience that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

As reported in the Consolidated Statements of Cash Flows, our cash flows are classified for financial reporting purposes as operating, investing, or financing cash flows. Net cash provided by operating activities was $14.8 million and $12.1 million for the years ended December 31, 2020 and 2019, respectively. These amounts differ from our net income because of a variety of cash receipts and disbursements that did not affect net income for the respective periods. Net cash used for investing activities was $74.1 million and $132.1 million in fiscal years 2020 and 2019, respectively, principally reflecting our investment security and loan activities in the respective periods. Cash outlays for the purchase of securities decreased from $41.1 million for the year ended December 31, 2019 to $39.2 million for the year ended December 31, 2020. Cash proceeds from principal repayments, maturities and sales of investment securities amounted to $52.0 million and $30.3 million in the years ended December 31, 2020 and 2019, respectively. We had cash flows from a net increase in loans of $89.3 million in 2020 compared to $117.4 million in 2019. Deposit and borrowing cash flows have traditionally comprised most of our financing activities which resulted in net cash provided of $140.8 million in fiscal year 2020, and $81.4 million in fiscal year 2019. Cash used in connection with the Bank's reorganization and stock offering totaled $42.7 million in 2019, which primarily represented the return of unfilled subscription orders in our stock offering.

We also have obligations under our post retirement plan as described in Note 8 to the Consolidated Financial Statements. The post retirement benefit payments represent actuarially determined future payments to eligible plan participants. We froze our pension plan in fiscal year 2012.

Off-Balance Sheet Arrangements. In the normal course of operations, we engage in a variety of financial transactions that, in accordance with generally accepted accounting principles are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. For information about our loan commitments, letters of credit and unused lines of credit, see Note 10 of the notes to the Consolidated Financial Statements. For fiscal year 2020, we did not engage in any off-balance-sheet transactions other than loan origination commitments and standby letters of credit in the normal course of our lending activities.

Impact of Inflation and Changing Prices

The financial statements and related notes of Rhinebeck Bancorp, Inc. and Rhinebeck Bancorp, MHC have been prepared in accordance with United States GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

Unaudited Quarterly Financial Data

The following table sets forth a summary of selected financial data at and for the years ended December 31, 2020 and 2019 and the quarter ends within those years.

	Three Months Ended			
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(In thousands, except per share data)			
Loans Receivable, net	$ 810,361	$ 887,320	$ 890,495	$ 873,813
Deposits	784,655	910,039	916,195	929,364
Total interest income	10,740	11,213	10,874	11,568
Total interest expense	2,419	2,236	1,846	1,518
Net interest income	8,321	8,977	9,028	10,050
Provision for loan losses	1,200	2,255	2,250	1,433
Net interest income after provision for loan losses	7,121	6,722	6,778	8,617
Total noninterest income	1,560	1,750	2,096	2,897
Total noninterest expense	7,299	6,765	7,432	8,569
Income before income taxes	1,382	1,707	1,442	2,945
Income taxes expense	307	359	292	601
Net income	$ 1,075	$ 1,348	$ 1,150	$ 2,344
Earnings per share (basic and diluted)	$ 0.10	$ 0.13	$ 0.10	$ 0.22

	Three Months Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
	(In thousands, except per share data)			
Loans Receivable, net	$ 706,882	$ 737,293	$ 758,999	$ 793,471
Deposits	684,024	716,858	769,985	773,343
Total interest income	9,358	10,120	10,825	10,683
Total interest expense	1,788	2,199	2,361	2,391
Net interest income	7,570	7,921	8,464	8,292
Provision for loan losses	780	780	450	450
Net interest income after provision for loan losses	6,790	7,141	8,014	7,842
Total noninterest income	1,264	1,433	1,459	1,474
Total noninterest expense	6,918	7,048	6,832	7,127
Income before income taxes	1,136	1,526	2,641	2,189
Income taxes benefit	225	305	550	449
Net income	$ 911	$ 1,221	$ 2,091	$ 1,740
Earnings per share (basic and diluted)	$ 0.09	$ 0.11	$ 0.20	$ 0.16

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information regarding market risk, see "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operation — Management of Market Risk."

Item 8. Financial Statements and Supplementary Data

The Financial Statements are included beginning on page F-1 of this annual report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal year (the "Evaluation Date"). Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective.

(b) Management's Annual Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management, including our Principal Executive Officer and Principal Financial Officer, concluded that our internal control over financial reporting was effective and met the criteria of the "Internal Control — Integrated Framework (2013)" as of December 31, 2020.

(c) Attestation Report of the Registered Public Accounting Firm.

Not applicable because the Company is an emerging growth company.

(d) Changes in Internal Controls.

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of fiscal 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding directors, executive officers and corporate governance of the Company is presented under the headings "Other Information Relating to Directors and Executive Officers — Delinquent Section 16(a) Reports Compliance," "Proposal 1 — Election of Directors," "Corporate Governance — Code of Ethics for Senior Officers" and "— Committees of the Board of Directors — Audit Committee" in the Company's definitive Proxy Statement for the 2021 Annual Meeting of Stockholders (the "Proxy Statement") and is incorporated herein by reference.

A copy of the Code of Ethics for Senior Officers is available to shareholders of the "Investor Relations" portion of the Bank's website of www.rhinebeckbank.com.

Item 11. Executive Compensation

Information regarding executive compensation is presented under the headings "Executive Compensation" and "Director Compensation" in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management is presented under the heading "Stock Ownership" in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions, and director independence is presented under the heading "Corporate Governance — Director Independence" and "Other Information Relating to Directors and Executive Officers — Transactions with Certain Related Persons" in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services is presented under the heading "Proposal 2 — Ratification of the Appointment of Independent Registered Public Accountants" in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1)	Financial Statements
	The following documents are filed as part of this annual report on Form 10-K.
(A)	Reports of Independent Registered Public Accounting Firms
(B)	Consolidated Statements of Financial Condition — at December 31, 2020 and 2019
(C)	Consolidated Statements of Income - Years ended December 31, 2020 and 2019
(D)	Consolidated Statements of Comprehensive Income — Years ended December 31, 2020 and 2019
(E)	Consolidated Statements of Changes in Stockholders' Equity — Years ended December 31, 2020 and 2019
(F)	Consolidated Statements of Cash Flows — Years ended December 31, 2020 and 2019
(G)	Notes to the Consolidated Financial Statements
(a)(2)	Financial Statement Schedules
	None.
(a)(3)	Exhibits
3.1	Articles of Incorporation of Rhinebeck Bancorp, Inc. (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018.)
3.2	Amended and Restated Bylaws of Rhinebeck Bancorp, Inc. (Incorporated by reference to the Rhinebeck Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 27, 2019)
4.1	Form of Common Stock Certificate of Rhinebeck Bancorp, Inc. (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018.)
4.2	Indenture, dated as of March 30, 2005, by and between Rhinebeck Bancorp, MHC, as Issuer, and Wilmington Trust Company, as Trustee (Incorporated by reference to Rhinebeck Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2019)
4.3	First Supplemental Indenture, dated as of January 16, 2019, by and among Wilmington Trust Company, as Trustee, Rhinebeck Bancorp, Inc. and Rhinebeck Bancorp, MHC (Incorporated by reference to Rhinebeck Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2019)
4.4	Description of Rhinebeck Bancorp, Inc.'s Securities (Incorporated by reference to Exhibit 4.4 to Rhinebeck Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on March 26, 2020)
10.1	Employment Agreement between Rhinebeck Bank and Michael J. Quinn (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.2	Employment Agreement between Rhinebeck Bank and Jamie J. Bloom (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.3	Supplemental Executive Retirement Agreement between Rhinebeck Bank and Michael J. Quinn dated January 1, 2008 (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.4	Rhinebeck Bank Split Dollar Life Insurance Plan (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.5	Rhinebeck Bank Executive Short-Term Incentive and Retention Plan (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.6	Rhinebeck Bank Executive Long-Term Incentive and Retention Plan (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)

10.7	New Director Fee Continuation Agreement between Rhinebeck Bank and Joseph A. Bahnatka, Jr. dated January 1, 2008 (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.8	New Director Fee Continuation Agreement between Rhinebeck Bank and Frederick Battenfeld dated January 1, 2008 (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.9	New Director Fee Continuation Agreement between Rhinebeck Bank and William C. Irwin dated January 1, 2008 (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.10	New Director Fee Continuation Agreement between Rhinebeck Bank and Louis Tumolo, Jr. dated January 1, 2008 (Incorporated by reference to the Registration Statement on Form S-1 of Rhinebeck Bancorp, Inc. (File no. 333-227266), originally filed with the Securities and Exchange Commission on September 10, 2018)
10.11	Employment Agreement between Rhinebeck Bank and Michael J. McDermott (Incorporated by reference to Rhinebeck Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission on March 29, 2019)
10.12	Rhinebeck Bancorp, Inc. 2020 Equity Incentive Plan (Incorporated by reference to Appendix A to the Proxy Statement for the 2020 Annual Meeting of Stockholders, filed with the Securities and Exchange Commission on April 21, 2020)
21	Subsidiaries of Registrant (Incorporated by reference to Rhinebeck Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission on March 29, 2019)
23.1	Consent of Wolf & Company, P.C.
31.1	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Item 16. Form 10-K Summary

None.

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Rhinebeck Bancorp, Inc. and Subsidiary

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December 31, 2020 and 2019

WOLF
& COMPANY, P.C.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Rhinebeck Bancorp, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial condition of Rhinebeck Bancorp, Inc. and subsidiary (the “Company”) as of December 31, 2020 and 2019, 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 (collectively the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2019.

/s/ Wolf & Company, P.C.
Boston, Massachusetts
March 25, 2021

Rhinebeck Bancorp, Inc. and Subsidiary

Consolidated Statements of Financial Condition
(Dollars in thousands, except share and per share data)

	December 31, 2020	December 31, 2019
Assets		
Cash and due from banks	$ 93,485	$ 11,978
Available for sale securities (at fair value)	102,933	114,832
Loans receivable (net of allowance for loan losses of $11,633 and $5,954, respectively)	873,813	793,471
Federal Home Loan Bank stock	2,787	3,435
Accrued interest receivable	3,819	2,903
Cash surrender value of life insurance	18,877	18,457
Deferred tax assets (net of valuation allowance of $1,760 and $1,202, respectively)	3,703	2,255
Premises and equipment, net	18,839	18,338
Other real estate owned	139	1,417
Goodwill	1,410	1,410
Intangible assets, net	199	241
Other assets	8,825	5,209
Total assets	$ 1,128,829	$ 973,946
Liabilities and Stockholders’ Equity		
Liabilities		
Deposits		
Noninterest bearing	$ 244,344	$ 179,236
Interest bearing	685,020	594,107
Total deposits	929,364	773,343
Mortgagors’ escrow accounts	8,494	8,106
Advances from the Federal Home Loan Bank	50,674	66,304
Subordinated debt	5,155	5,155
Accrued expenses and other liabilities	18,643	11,156
Total liabilities	1,012,330	864,064
Stockholders’ Equity		
Preferred stock (par value $0.01 per share; 5,000,000 authorized, no shares issued)	—	—
Common stock (par value $0.01 per share; 25,000,000 authorized, 11,133,290 issued and outstanding)	111	111
Additional paid-in capital	46,038	45,869
Unearned common stock held by the employee stock ownership plan ("ESOP")	(3,928)	(4,146)
Retained earnings	78,069	72,152
Accumulated other comprehensive loss:		
Net unrealized gain (loss) on available for sale securities, net of taxes	993	(195)
Defined benefit pension plan, net of taxes	(4,784)	(3,909)
Total accumulated other comprehensive loss	(3,791)	(4,104)
Total stockholders’ equity	116,499	109,882
Total liabilities and stockholders’ equity	$ 1,128,829	$ 973,946

See accompanying notes to consolidated financial statements

Rhinebeck Bancorp, Inc. and Subsidiary

Consolidated Statements of Income
(Dollars in thousands, except share and per share data)

	Years Ended December 31, 2020	2019
Interest and Dividend Income		
Interest and fees on loans	$ 42,215	$ 38,255
Interest and dividends on securities	2,133	2,671
Other income	47	60
Total interest and dividend income	44,395	40,986
Interest Expense		
Interest expense on deposits	6,671	6,989
Interest expense on borrowings	1,348	1,750
Total interest expense	8,019	8,739
Net interest income	36,376	32,247
Provision for loan losses	7,138	2,460
Net interest income after provision for loan losses	29,238	29,787
Noninterest Income		
Service charges on deposit accounts	2,276	2,824
Net realized loss on sales and calls of securities	(29)	(69)
Net gain on sales of loans	3,762	1,171
Increase in cash surrender value of life insurance	380	398
Net gain from sale of other real estate owned	498	—
Other real estate owned income	—	28
Gain on disposal of premises and equipment	13	—
Investment advisory income	1,288	944
Other	115	334
Total noninterest income	8,303	5,630
Noninterest Expense		
Salaries and employee benefits	16,797	15,631
Occupancy	3,545	3,490
Data processing	1,399	1,340
Professional fees	1,648	1,386
Marketing	506	666
FDIC deposit insurance and other insurance	797	478
Other real estate owned expense	154	123
Amortization of intangible assets	42	43
Other	5,177	4,768
Total noninterest expense	30,065	27,925
Income before income taxes	7,476	7,492
Provision for income taxes	1,559	1,529
Net income	$ 5,917	$ 5,963
Earnings per common share:		
Basic	$ 0.55	$ 0.56
Diluted	$ 0.55	$ 0.56
Weighted average shares outstanding, basic	10,729,596	10,707,776
Weighted average shares outstanding, diluted	10,739,841	10,707,776

See accompanying notes to consolidated financial statements

Rhinebeck Bancorp, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
(Dollars in thousands)

	Years Ended December 31, 2020	2019
Net Income	$ 5,917	$ 5,963
Other Comprehensive Income:		
Unrealized holding gains arising during the period	1,476	2,944
Reclassification adjustment for losses included in net realized loss on sales and calls of securities on the consolidated statements of income	29	69
Net unrealized gains on available for sale securities	1,505	3,013
Tax effect	(317)	(632)
Unrealized gains on available for sale securities, net of tax	1,188	2,381
Defined benefit pension plan:		
Actuarial (losses) gains arising during the period	(1,393)	322
Reclassification adjustment for amortization of net actuarial losses	285	346
Total	(1,108)	668
Tax effect	233	(141)
Defined benefit pension plan (losses) gains, net of tax	(875)	527
Other comprehensive income	313	2,908
Total Comprehensive Income	$ 6,230	$ 8,871

See accompanying notes to consolidated financial statements

Rhinebeck Bancorp, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Unearned Common Stock Held by the ESOP	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2018	$ —	$ 100	$ —	$ 66,189	$ (7,012)	$ 59,277
Net income	—	—	—	5,963	—	5,963
Other comprehensive income	—	—	—	—	2,908	2,908
Common Stock and proceeds of offering	111	45,744	—	—	—	45,855
Unearned common stock held by ESOP	—	—	(4,364)	—	—	(4,364)
ESOP shares committed to be allocated	—	25	218	—	—	243
Balance at December 31, 2019	$ 111	$ 45,869	$ (4,146)	$ 72,152	$ (4,104)	$ 109,882
Net income	—	—	—	5,917	—	5,917
Other comprehensive income	—	—	—	—	313	313
ESOP shares committed to be allocated	—	(48)	218	—	—	170
Share-based compensation expense	—	217	—	—	—	217
Balance at December 31, 2020	$ 111	$ 46,038	$ (3,928)	$ 78,069	$ (3,791)	$ 116,499

See accompanying notes to consolidated financial statements

Rhinebeck Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows
(Dollars in thousands, except share and per share data)

	Years Ended December 31, 2020	2019
Cash Flows from Operating Activities		
Net income	$ 5,917	$ 5,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and accretion of premiums and discounts on investments, net	563	244
Net realized loss on sales and calls of securities	29	69
Net realized gain on sale of other real estate owned	(498)	—
Provision for loan losses	7,138	2,460
Loans originated for sale	(94,995)	(48,204)
Proceeds from sale of loans	98,723	49,198
Net gain on sale of loans	(3,762)	(1,171)
Amortization of intangible assets	42	43
Depreciation and amortization	1,379	1,291
Gain from disposal of premises and equipment	(13)	—
Deferred income tax benefit	(1,531)	(94)
Increase in cash surrender value of insurance	(380)	(398)
Increase in accrued interest receivable	(916)	(380)
Expense of earned ESOP shares	170	243
Share-based compensation expense	217	—
(Increase) decrease in other assets	(3,616)	1,133
Increase in accrued expenses and other liabilities	6,378	1,714
Net cash provided by operating activities	14,845	12,111
Cash Flows from Investing Activities		
Proceeds from sales and calls of securities	6,996	11,938
Proceeds from maturities and principal repayments of securities	45,031	18,322
Purchases of securities	(39,215)	(41,078)
Net sales (purchases) of FHLB Stock	648	(1,552)
Net increase in loans	(89,304)	(117,353)
Purchases of bank owned life insurance	(40)	(40)
Purchases of bank premises and equipment	(1,867)	(2,589)
Net increase of other real estate owned	(225)	(14)
Proceeds from sale of other real estate owned	3,859	282
Net cash used in investing activities	(74,117)	(132,084)
Cash Flows from Financing Activities		
Net increase in demand deposits, NOW, money market and savings accounts	174,027	25,972
Net (decrease) increase in time deposits	(18,006)	62,953
Decrease in mortgagors' escrow accounts	388	381
Net (decrease) increase in short-term debt	(4,302)	13,209
Net (decrease) increase in long-term debt	(11,328)	21,497
Net decrease in other borrowings	—	(5,000)
Proceeds of stock subscriptions	—	9,814
Return of unfulfilled stock subscriptions	—	(41,082)
Offering expenses	—	(1,898)
Loan to ESOP	—	(4,364)
Return of capital to Rhinebeck Bancorp, MHC	—	(121)
Net cash provided by financing activities	140,779	81,361
Net increase (decrease) in cash and due from banks	81,507	(38,612)
Cash and Due from Banks		
Beginning balance	11,978	50,590
Ending balance	$ 93,485	$ 11,978
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 8,310	$ 8,626
Cash paid for income taxes	$ 3,402	$ 1,690
Noncash Investing and Financing Activities		
Transfer of loans to other real estate owned	$ 1,858	$ —

See accompanying notes to consolidated financial statements

1. Nature of Business and Significant Accounting Policies

The consolidated financial statements include accounts of Rhinebeck Bancorp, Inc. (the "Company"), a stock holding company, and its wholly-owned subsidiary, Rhinebeck Bank (the "Bank"), a New York chartered stock savings bank and its wholly-owned subsidiaries. The primary purpose of the Company is to act as a holding company for the Bank. The Bank provides a full range of banking and financial services to consumer and commercial customers through its eleven branches and two representative offices located in Dutchess, Ulster, Orange, and Albany counties. Financial services including investment advisory and financial product sales are offered through a division of the Bank doing business as Rhinebeck Asset Management ("RAM").

A description of the Company's significant accounting policies are presented below.

Basis of Financial Statements Presentation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and general practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, as of the date of the consolidated statements of financial condition and reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for lease and loan losses, fair value measurements, the evaluation of investment securities for other-than-temporary impairment, the evaluation of goodwill for impairment, the valuation of deferred tax assets, the determination of pension obligations and contingent liabilities.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. As a result of the reorganization, the consolidation refers to the Company and the Bank for the periods after January 16, 2019 and Rhinebeck Bancorp, MHC, a New York chartered mutual holding company, and the Bank for the periods prior to January 16, 2019. All significant intercompany accounts and transactions have been eliminated in consolidation.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located in the New York State counties of Dutchess, Ulster, Orange, Columbia, Putnam and Albany. Although the Company has a diversified loan portfolio, a substantial portion of its customers' abilities to repay their loans is dependent on the economic conditions in the territories in which the Company operates.

Cash and Cash Equivalents

Cash and due from banks and federal funds sold are recognized as cash equivalents in the consolidated statements of financial condition and cash flows. Federal funds sold generally mature in one day. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investment in Debt Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and are recorded at amortized cost. "Trading" securities, if any, are carried at fair value, with unrealized gains

Rhinebeck Bancorp, Inc. and Subsidiary

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and losses recognized in earnings. Securities not classified as held to maturity or trading are classified as "available for sale" and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive loss, net of taxes. Purchase discounts are recognized in interest income using the interest method over the contractual terms of the security. Purchase premiums are recognized in interest income using the interest method to the instrument's earliest call date. Realized gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

The Company evaluates securities for other-than temporary impairment on a regular basis. The evaluation considers several factors including the amount of the unrealized loss, the period of time the security has been in a loss position and the credit standing of the issuer. When the Company does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security before recovery of its cost basis, the credit loss determined due to a permanent impairment will be recognized in earnings. The credit loss component recognized is identified as the amount of future principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow estimates discounted at the applicable original yield of the security.

Investment in FHLB Stock

The Company is required to maintain an investment in capital stock of the FHLB, as collateral, in an amount equal to a certain percentage of its outstanding debt. FHLB stock is considered restricted stock and is carried at cost.

Loans Receivable

Loans that the Company has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for unearned income, including any allowance for lease and loan losses and any unamortized deferred fees or costs.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due. Consumer automobile and installment loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not collected, for loans that are placed on non-accrual status or charged off, is reversed against interest income. The interest on these loans is accounted for on the cash-basis method until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Lease and Loan Losses

The allowance for lease and loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management determines all or part of the loan balance is uncollectible. Subsequent recoveries, if any, are credited to the allowance.

The allowance for lease and loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the size and composition of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance calculation methodology involves segregation of the total loan portfolio into segments. The Company's loans receivable portfolio is comprised of the following segments: commercial real estate, residential real estate, commercial and industrial and consumer. The segments of the Company's loans receivable portfolio are further disaggregated into classes based on identified risks within those segments. This allows management to better monitor risk and performance.

Commercial real estate loans are separated into the three classes: construction, non-residential and multi-family. Non-residential and multi-family loans include long-term loans financing commercial properties and include both owner and non-owner occupied properties. Construction loans, which include land loans, are comprised mostly of non-owner occupied projects, whereby the property is generally under development and tends to have more risk than the owner occupied loans. The Company grants loans for the construction of residential homes, residential developments and land development projects. Repayment of these loans is mostly dependent upon either the ongoing cash flows of the borrowing entity or the resale or lease of the subject property. The underlying cash flows generated by the properties may be negatively impacted by increased vacancy rates due to a downturn in the economy.

Residential real estate loans are secured by the borrower's residential real estate generally in a first lien position. Residential mortgages have varying loan interest rates depending on the financial condition of the borrower, the loan to value ratio and the term of the loan. The overall health of the economy, reflected in unemployment rates and housing prices, will have an effect on the credit quality of this segment.

The commercial and industrial loan segment consists of loans made for purposes of financing the activities of commercial customers. The assets financed through commercial and industrial loans are used within the business for its ongoing operations. Repayment of commercial and industrial loans predominately comes from the cash flows of the business or the ongoing operations of assets. A weakened economy and resultant decreased consumer spending could have a negative impact on this line of business.

Consumer loans are classified into the following three classes: indirect automobile loans, home equity loans and other consumer loans. Indirect automobile loans are secured by the borrowers' automobiles and originated through the Company's relationships with the automobile dealers in the various counties in the Company's service area. Home equity loans are secured by the borrowers' residential real estate in a first or second lien position. Other direct consumer loans may be unsecured. The overall health of the economy, reflected in unemployment rates and housing prices, will have an impact on the credit quality of this segment.

The Company has established credit policies applicable to each type of lending activity in which it engages. The Company evaluates the creditworthiness of each customer and, in most cases, extends credit of up to 80% of the market value of the collateral at the date of the credit extension, depending on the borrower's creditworthiness and the type of collateral. The Company's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial and industrial and commercial real estate loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, automobiles, equipment, eligible accounts receivable and inventory. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower, past experience with the borrower, the nature of the collateral, competitive offerings and/or the term of the loan.

The market value of collateral is monitored on an ongoing basis and additional collateral may be obtained when warranted. While collateral provides some assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment to be based on the borrower's ability to generate continuing sufficient cash flows. The Company's policy for collateral requires that, generally, the amount of the loan may not exceed 90% of the

original appraised value of the property. Private mortgage insurance is usually required for that portion of the loan in excess of 80% of the appraised value of the property.

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 at least quarterly or when credit deficiencies arise, such as when loan payments are delinquent. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified 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 charged to the allowance for lease and loan losses. Loans not classified are rated pass.

The allowance consists of specific and general components. The specific component relates to loans that are considered impaired. For such impaired loans, an allowance is established when the discounted cash flows (or observable market price or collateral value if the loan is collateral dependent) of the impaired loan is lower than the carrying value of that loan. The general component covers all other loans, segregated generally by loan type and is based on historical loss experience with adjustments for qualitative factors which are made after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss data.

These qualitative risk factors include:

1. Changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices.

2. Changes in international, national, regional, and local conditions.

3. Changes in the nature and volume of the portfolio and terms of loans.

4. Changes in the experience, depth, and ability of lending management.

5. Changes in the volume and severity of past due loans and other similar conditions.

6. Changes in the quality of the organization's loan review system.

7. Changes in the value of underlying collateral for collateral dependent loans.

8. The existence and effect of any concentrations of credit and changes in the levels of such concentrations.

9. The effect of other external factors (i.e. competition, legal and regulatory requirements) on the level of estimated credit losses.

In the last quarter of 2019, Management employed software in order to upgrade our allowance for lease and loan loss ("ALLL") analysis. For several months we ran the software in tandem with our then present evaluation system in order to understand the similarities and differences between the approaches and to ascertain that the switch would present reasonable and consistent results in keeping with the prior analysis. At year-end 2019, we made the switch to the new software system as the basis for our ALLL analysis. The outcome led us to a result that was more specific in definition, robust from a qualitative analysis perspective, and detailed in specific support for the final allocated outcomes. This change in methodology did not materially change the amount of the overall reserve but did have some impact on allocated reserves between the lines of business, most specifically evident with the increased reserve amount allocated to the indirect automobile portfolio.

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 are not necessarily 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 record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and real estate loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The estimated fair values of substantially all of the Company's impaired loans are measured based on the estimated fair value of the loans' collateral.

For loans secured by real estate, estimated fair values are determined primarily 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 size of the loan, age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. If liquidation is expected, appraised values are discounted for expected sales costs to arrive at the estimated recognizable value of the collateral, which is considered to be the estimated fair value. The recorded investment in consumer mortgages and loans secured by residential real estate properties for which formal foreclosure proceedings are in process was $636 and $781 on December 31, 2020 and 2019, respectively.

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 financial statements, inventory reports, accounts receivable aging or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

The evaluation of the need and amount of the allowance for impaired loans and whether a loan can be removed from impairment status is made on a quarterly basis. The Company's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

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 TDR. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. 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 lease and loan losses.

The Company identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's 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, negative trends, or specific conditions may result in a payment default in the near future.

Regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for lease and 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 lease and loan losses is adequate.

Loans Held for Sale

Loans held for sale are those mortgage loans the Company has the intent to sell in the foreseeable future and are carried at the lower of aggregate cost or market value, with valuation changes recorded in noninterest income. Gains and losses on sales of loans are recognized at the trade dates and are determined by the difference between the sales proceeds and the carrying value of the loans.

Mortgage loans held for sale are generally sold with the mortgage servicing rights retained by the Company. Mortgage service rights are recorded and amortized over the life of the loan.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company — put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

During the normal course of business, the Company may transfer a portion of a financial asset, for example, a participation loan or the government guaranteed portion of a loan. In order to be eligible for sales treatment, the transfer of the portion of the loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

Servicing

Servicing assets are recognized as separate assets developed through the sale of residential mortgages. Servicing rights are initially recorded at fair value with the income statement effect recorded in gain or loss on sales of loans. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to and over the period of the estimated future net servicing income of the underlying financial assets.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant risk characteristics, such as interest rates and terms. Impairment is recognized through a valuation allowance and charged to noninterest income, to the extent that fair value is less than the capitalized amount. If the Company later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income.

Revenue Recognition

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The main types of revenue contracts included in non-interest income within the consolidated statements of operations are as follows:

- Fees for services to customers include service charges on deposits which are included as liabilities in the consolidated statements of financial condition and consist of transaction-based fees: stop payment fees, Automated Clearing House (ACH) fees, account maintenance fees, wire fees, official check fees and overdraft services fees for various retail and business checking customers. These fees are charged as earned on the day of the transaction or within the month of the service. Service charges on deposits are withdrawn directly from the customer's account balance. ATM and debit card fees are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Sales of checks to depositors earn fees as a contractual discount to the retail price of the sale from a third-party provider. These fees earned are remitted by the third-party to the Company quarterly.

- The Company earns interchange fee income from credit/debit cardholder transactions conducted through MasterCard payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized monthly, concurrently with the transaction processing services provided to the cardholder within the month.

- The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed; at such time, the OREO asset is derecognized and the gain or loss on the sale is recorded. Rental income received from leased OREO property is recognized during the month it is earned.

- Retail brokerage and advisory fee income is accrued monthly to properly record the revenues in the month they are earned. Advisory fees are collected in advance on a quarterly basis. These advisory fees are recorded in the first month of the quarter for which the service is being performed. Investments into mutual funds and annuities generate fees that are recorded as revenue at the time of the initial sale. In subsequent years the mutual funds and variable annuities generate recurring fees (referred to as 12B-1 fees) that are paid in advance on the anniversary of the original transaction. Fees that are transaction based are recognized at the point in time that the transaction is executed (i.e., trade date). Life insurance products are sold on a commission basis that generates a fee that is recorded as revenue within the month of the approved transaction.

Other income includes rental income, mortgage origination and service fees and late fees on serviced mortgages. All items are recorded as revenue within the month that the service is provided.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in operations. Costs relating to the development and improvement of the property are capitalized, subject to the resulting limit of fair value of the

collateral. Gains or losses are included in operations upon disposal. Other real estate owned included $0 and $935 of residential real estate and $139 and $482 of commercial property on December 31, 2020 and 2019, respectively.

Premises and Equipment

Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the improvements' estimated economic lives or the related lease terms. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized. Rent expense is charged to operations over the expected lease term using the straight-line method.

Bank-Owned Life Insurance

The Company purchased bank owned life insurance ("BOLI") on a chosen group of employees and directors. The Company is the owner and sole beneficiary of the policies. Earnings from BOLI are recognized as part of noninterest income. BOLI is carried at cash surrender value. Death benefit proceeds received in excess of the policies cash surrender values are recognized in income upon receipt. The Company does not intend to surrender these policies and, accordingly, no deferred taxes have been provided.

Goodwill and Amortizable Intangible Assets

The excess of the purchase price of an acquisition over the net fair value of the identifiable tangible and intangible assets and liabilities is assigned to goodwill. Goodwill is not amortizable, but is subject to at least an annual assessment, or more frequently in the presence of certain circumstances, for impairment.

Other intangible assets are stated at cost, less accumulated amortization and consist of purchased customer accounts. Purchased customer accounts primarily consist of records and files that contain information about investment holdings. These assets are amortized on a straight-line basis over the related estimated lives of 13 years. In the presence of certain circumstances, intangible assets may be assessed for impairment as well. Impairment exists when carrying value exceeds its fair value. In such circumstances a charge for the relevant impairment is recognized and the net book value is reduced to the appropriate value.

Share-Based Compensation Plans

The Company measures and recognizes compensation cost relating to share-based payment transactions based on the grant-date fair value of the equity instruments issued. Share-based compensation is recognized over the period the employee is required to provide service for the award. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options granted. Management estimated the expected life of the options using the simplified method as allowed under generally accepted accounting principles. The risk-free rate was determined utilizing the treasury yield for the expected life of the option contract at the date of grant. Forfeitures are recognized as they occur.

Employee Stock Ownership Plan

Compensation expense for the ESOP is recorded at an amount equal to the shares allocated by the ESOP multiplied by the average fair market value of the shares during the period. The Company recognizes compensation expense ratably over the year based upon the Company's estimate of the number of shares expected to be allocated by the ESOP. Unearned compensation applicable to the ESOP is reflected as a reduction of stockholders' equity in the consolidated statements of financial condition. The difference between the average fair market value and the cost of the shares allocated by the ESOP is recorded as an adjustment to additional paid-in capital.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly expected that most positions taken would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company has no liabilities for uncertain tax positions at December 31, 2020 and 2019.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as an additional provision for income taxes in the consolidated statements of income.

Earnings Per Share (“EPS”)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as stock options) issued became vested during the period. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for either the basic or diluted earnings per share calculations. See Note 14 for calculation of EPS.

Comprehensive Income

GAAP requires that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and the net actuarial loss of the defined benefit pension plan, are reported as a separate component of the stockholders’ equity section of the consolidated statements of financial condition, such items, along with net income, are components of comprehensive income.

Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Company’s fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three categories within the hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active; and model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year’s presentation.

Emerging Growth Company Status

As an emerging growth company, the Company may delay adoption of new or revised financial accounting standards until such date that the standards are required to be adopted by non-public companies. The Company intends to take advantage of the benefits of the extended transition periods allowed under the Jumpstart Our Business Startups Act.

Accordingly, the Company’s financial statements may not be comparable to those of public companies that adopt new or revised financial accounting standards as of an earlier date. The effective dates of the following recent accounting standards reflect those that relate to non-public companies.

(Dollars in thousands, except share and per share data)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which created FASB Accounting Standards Codification ("ASC") Topic 842 (ASC 842) and is intended to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. The principal change required by ASC 842 relates to lessee accounting, and is that for operating leases, a lessee is required to (1) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial condition, (2) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term generally on a straight-line basis, and (3) classify all cash payments within operating activities in the statement of cash flows. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. ASC 842 also changes disclosure requirements related to leasing activities and requires certain qualitative disclosures along with specific quantitative disclosures. ASC 842 also provides an optional transition method for adoption, under which an entity initially applies ASC 842 at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts ASC 842 will continue to be in accordance with current GAAP. ASC 842 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of ASC 842 is permitted. The Company adopted the provisions of ASC 842 effective January 1, 2020 utilizing the optional transition method and not restate comparative periods. The Company elected the package of practical expedients permitted under ASC 842's transition guidance, which allows the Company to carryforward its historical lease classifications and its assessment as to whether a contract is or contains a lease. The Company elected to not recognize lease assets and lease liabilities for leases with an initial term of 12 months or less. Upon adoption, the Company recorded an increase in other assets and an increase in other liabilities of approximately $6.7 million.

In June 2016, the FASB issued ASU No. 2016-13 on "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". This ASU requires credit losses on most financial assets be measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss ("CECL") model). Under this model, entities will estimate credit losses over the entire contractual term of the instrument (considering estimated prepayments, but not expected extensions or modifications unless reasonable expectation of a troubled debt restructuring exists) from the date of initial recognition of that instrument. The measurement of expected credit losses is based upon relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. On October 16, 2019, the FASB approved a delay for conversion to the CECL methodology to January 2023 for smaller reporting companies, other public business entities, private companies and non-profits. The Company is currently assessing the effect of ASU No. 2016-13 and has engaged with a software vendor to assist in its efforts.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20)". The amendments in this ASU remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. Although narrow in scope, the amendments are considered an important part of FASB's efforts to improve the effectiveness of disclosures in the notes to financial statements. ASU 2018-14 is effective for the Company in 2021. Early adoption is permitted. This update is not expected to have a material impact on the Company's financial statements.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments – Credit Losses, Topic 326*, which allows entities to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost upon adoption of the new credit losses standard. To be eligible for the transition election, the existing financial asset must

otherwise be both within the scope of the new credit losses standard and eligible for the applying the fair value option in ASC 825-10.3. The election must be applied on an instrument-by-instrument basis and is not available for either available-for-sale or held-to-maturity debt securities. For entities that elect the fair value option, the difference between the carrying amount and the fair value of the financial asset would be recognized through a cumulative-effect adjustment to opening retained earnings as of the date an entity adopted ASU 2016-13. Changes in fair value of that financial asset would subsequently be reported in current earnings. For entities that have not yet adopted ASU 2016-13, the effective dates and transition requirements are the same as those in ASU 2016-13. For entities that have adopted ASU 2016-13, ASU 2019-05 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted once ASU 2016-13 has been adopted. On October 16, 2019, the FASB voted to defer the effective date for ASC 326, *Financial Instruments – Credit Losses*, for smaller reporting companies and emerging growth companies to fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

On December 18, 2019, the FASB issued Accounting Standards Update 2019-12 , Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. The FASB's amendments primarily impact ASC 740, Income Taxes, and may impact both interim and annual reporting periods. This ASU is effective for the Company in 2022. Early adoption is permitted. The Company does not expect the new guidance to have a material impact on the consolidated financial statements and does not expect to early adopt.

On March 12, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* This ASU applies to contracts and other transactions that reference LIBOR or other rate references expected to be discontinued because of reference rate reform. The ASU permits an entity to make necessary modifications to eligible contracts or transactions without requiring contract remeasurement or reassessment of a previous accounting determination. ASU 2020-04 must be applied prospectively and was effective immediately upon issuance and remains effective through December 31, 2022. The adoption of ASU 2020-04 did not and is not expected to have a material impact on the Company's future consolidated financial statements.

2. Available for Sale Securities

The amortized cost, gross unrealized gains and losses and fair values of available for sale securities are as follows:

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency mortgage-backed securities–residential	$ 88,197	$ 1,350	$ (277)	$ 89,270
U.S. government agency securities	7,013	148	—	7,161
Municipal securities[(1)]	1,445	31	—	1,476
Corporate bonds	4,400	49	(3)	4,446
Other	621	—	(41)	580
Total	$ 101,676	$ 1,578	$ (321)	$ 102,933

(Dollars in thousands, except share and per share data)

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency mortgage-backed securities–residential	$ 98,842	$ 464	$ (828)	$ 98,478
U.S. government agency securities	12,049	53	(26)	12,076
Municipal securities[(1)]	1,384	17	(5)	1,396
Corporate bonds	2,250	25	(2)	2,273
Other	555	54	—	609
Total	$ 115,080	$ 613	$ (861)	$ 114,832

(1) The issuers of municipal securities are all within New York State.

The following table presents the fair value and unrealized losses of the Company's available for sale securities with gross unrealized losses aggregated by the length of time the individual securities have been in a continuous unrealized loss position:

	December 31, 2020					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agency mortgage-backed securities-residential	$ 30,243	$ (269)	$ 293	$ (8)	$ 30,536	$ (277)
Corporate Bonds	747	(3)	—	—	747	(3)
Other	522	(41)	—	—	522	(41)
Total	$ 31,512	$ (313)	$ 293	$ (8)	$ 31,805	$ (321)

	December 31, 2019					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agency mortgage-backed securities-residential	$ 35,612	$ (302)	$ 27,252	$ (526)	$ 62,864	$ (828)
U.S. government agency securities	—	—	7,001	(26)	7,001	(26)
Municipal Securities	490	(5)	—	—	490	(5)
Corporate Bonds	749	(2)	—	—	749	(2)
Total	$ 36,851	$ (309)	$ 34,253	$ (552)	$ 71,104	$ (861)

At December 31, 2020 and 2019, the Company had 36 and 80 individual available-for-sale securities with unrealized losses totaling $321 and $861, respectively, with an aggregate depreciation of 1.01% and 1.21%, respectively, from the Company's amortized cost.

Management believes that none of the unrealized losses on available for sale securities are other-than-temporary because substantially all of the unrealized losses in the Company's investment portfolio relate to market interest rate changes on debt and mortgage-backed securities issued either directly by the government or from government sponsored enterprises. Because the Company does not intend to sell the securities and it is not likely that the Company will be required to sell the securities before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired either at December 31, 2020 or 2019.

The amortized cost and fair value of available for sale debt securities at December 31, 2020 and 2019, by contractual maturities, are presented below. Actual maturities of mortgage-backed securities may differ from contractual maturities because the mortgages underlying the securities may be called or repaid without any penalties. Because mortgage-backed securities are not due at a single maturity date, they are not included in the maturity categories in the following maturity summary:

	December 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturity:				
Within 1 year	$ 102	$ 102	$ 175	$ 175
After 1 but within 5 years	2,155	2,155	7,027	7,001
After 5 but within 10 years	9,946	10,162	7,806	7,899
After 10 years	655	664	675	670
Total Maturities	12,858	13,083	15,683	15,745
Mortgage-backed securities	88,197	89,270	98,842	98,478
Other	621	580	555	609
Total	$ 101,676	$ 102,933	$ 115,080	$ 114,832

At December 31, 2020 and 2019, available for sale securities with a carrying value of $18,123 and $23,782, respectively, were pledged to secure Federal Home Loan Bank of New York borrowings. In addition, $1,059 and $726 of available for sale securities, respectively, were pledged to secure borrowings at the Federal Reserve Bank of New York ("FRBNY").

Proceeds from the sale of available for sale securities and calls aggregated $6,996 and $11,938 for the years ended December 31, 2020 and 2019, respectively. There were no gross gains during the periods ended December 31, 2020 and December 31, 2019. During the periods ended December 31, 2020 and 2019, there were gross losses of $29 and $69, respectively, realized on the sales of securities.

3. Loans and Allowance for Lease and Loan Losses

A summary of the Company's loan portfolio is as follows:

	December 31, 2020	December 31, 2019
Commercial real estate loans:		
Construction	$ 5,392	$ 20,354
Non-residential	248,349	228,157
Multi-family	30,379	20,129
Residential real estate loans	39,239	43,726
Commercial and industrial loans[(1)]	154,016	90,554
Consumer loans:		
Indirect automobile	376,260	360,569
Home equity	14,165	16,276
Other consumer	8,816	9,752
Total gross loans	876,616	789,517
Net deferred loan costs	8,830	9,908
Allowance for loan losses	(11,633)	(5,954)
Total net loans	$ 873,813	$ 793,471

(1) Includes $75,366 in SBA PPP loans at December 31, 2020.

At December 31, 2020 and 2019, the unpaid principal balances of loans held for sale, included in the residential real estate category above, were $2,718 and $2,684, respectively.

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The following tables present the classes of the loan portfolio summarized by the pass category and the criticized categories of special mention and substandard within the internal risk system:

	December 31, 2020			
	Pass	Special Mention	Substandard	Total
Commercial real estate:				
Construction	$ 5,392	$ —	$ —	$ 5,392
Non-residential	240,778	5,468	2,103	248,349
Multifamily	30,379	—	—	30,379
Residential real estate	36,597	—	2,642	39,239
Commercial and industrial	147,748	5,395	873	154,016
Consumer:				
Indirect automobile	375,270	—	990	376,260
Home equity	13,819	—	346	14,165
Other consumer	8,768	—	48	8,816
Total	$ 858,751	$ 10,863	$ 7,002	$ 876,616

	December 31, 2019			
	Pass	Special Mention	Substandard	Total
Commercial real estate:				
Construction	$ 20,354	$ —	$ —	$ 20,354
Non-residential	219,485	4,285	4,387	228,157
Multifamily	19,744	—	385	20,129
Residential real estate	41,385	—	2,341	43,726
Commercial and industrial	88,874	597	1,083	90,554
Consumer:				
Indirect automobile	359,616	—	953	360,569
Home equity	15,861	—	415	16,276
Other consumer	9,741	—	11	9,752
Total	$ 775,060	$ 4,882	$ 9,575	$ 789,517

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The past due status of all classes of loans is determined based on contractual due dates for loan payments.

(Dollars in thousands, except share and per share data)

The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and non-accrual loans:

	December 31, 2020					
	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Loans Receivable	Non-accrual
Commercial real estate:						
Construction	$ 5,392	$ —	$ —	$ —	$ 5,392	$ —
Non-residential	244,387	1,985	33	1,944	248,349	1,944
Multifamily	30,379	—	—	—	30,379	—
Residential real estate	36,581	1,351	138	1,169	39,239	2,641
Commercial and industrial	151,771	1,551	511	183	154,016	366
Consumer:						
Indirect automobile	367,929	6,321	1,063	947	376,260	990
Home equity	13,506	310	101	248	14,165	346
Other consumer	8,663	98	7	48	8,816	48
Total	$ 858,608	$ 11,616	$ 1,853	$ 4,539	$ 876,616	$ 6,335

	December 31, 2019					
	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Loans Receivable	Non-accrual
Commercial real estate:						
Construction	$ 20,354	$ —	$ —	$ —	$ 20,354	$ —
Non-residential	222,953	409	884	3,911	228,157	3,911
Multifamily	19,744	—	—	385	20,129	385
Residential real estate	42,403	427	116	780	43,726	2,341
Commercial and industrial	89,401	288	198	667	90,554	905
Consumer:						
Indirect automobile	351,840	6,494	1,294	941	360,569	953
Home equity	15,726	142	91	317	16,276	415
Other consumer	9,492	201	48	11	9,752	11
Total	$ 771,913	$ 7,961	$ 2,631	$ 7,012	$ 789,517	$ 8,921

There were no loans greater than 90 days past due and still accruing as of December 31, 2020 or 2019.

The following tables summarize information in regard to impaired loans by loan portfolio class:

	December 31, 2020			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial real estate:				
Non-residential	$ 1,944	$ 2,973	$ —	$ 3,086
Multifamily	—	—	—	184
Residential real estate	2,641	3,086	—	2,554
Commercial and industrial	345	586	—	426
Consumer:				
Indirect automobile	397	467	—	293
Home equity	346	351	—	449
Other consumer	—	—	—	21
Total	$ 5,673	$ 7,463	$ —	$ 7,013
With an allowance recorded:				
Commercial and industrial	$ 21	$ 21	$ 11	$ 30
Consumer:				
Indirect automobile	593	613	135	591
Other consumer	48	49	7	13
Total	$ 662	$ 683	$ 153	$ 634
Total:				
Commercial real estate:				
Non-residential	$ 1,944	$ 2,973	$ —	$ 3,086
Multifamily	—	—	—	184
Residential real estate	2,641	3,086	—	2,554
Commercial and industrial	366	607	11	456
Consumer:				
Indirect automobile	990	1,080	135	884
Home equity	346	351	—	449
Other consumer	48	49	7	34
Total	$ 6,335	$ 8,146	$ 153	$ 7,647

(Dollars in thousands, except share and per share data)

	December 31, 2019			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial real estate:				
Non-residential	$ 3,911	$ 5,733	$ —	$ 3,209
Multifamily	385	409	—	192
Residential real estate	2,341	2,850	—	2,313
Commercial and industrial	905	1,109	—	601
Consumer:				
Indirect automobile	607	740	—	441
Home equity	415	467	—	307
Other consumer	11	11	—	10
Total	$ 8,575	$ 11,319	$ —	$ 7,073
With an allowance recorded:				
Consumer:				
Indirect automobile	$ 346	$ 376	$ 107	$ 262
Total	$ 346	$ 376	$ 107	$ 262
Total:				
Commercial real estate:				
Non-residential	$ 3,911	$ 5,733	$ —	$ 3,209
Multifamily	385	409	—	192
Residential real estate	2,341	2,850	—	2,313
Commercial and industrial	905	1,109	—	601
Consumer:				
Indirect automobile	953	1,116	107	703
Home equity	415	467	—	307
Other consumer	11	11	—	10
Total	$ 8,921	$ 11,695	$ 107	$ 7,335

The Company does not generally recognize interest income on a loan in an impaired status. At December 31, 2020 and 2019, the same three loans totaling $1,571 and $1,659, respectively, which were included in impaired loans, were identified as TDRs. The initial modifications of these loans took place prior to 2019 and included two residential mortgages and one home equity loan that included both rate and term modifications. In 2019 and 2020, there were no new TDRs. Interest income on impaired loans was immaterial during each of the periods presented. At December 31, 2020 and 2019, all loans were performing in accordance with their restructured terms. At December 31, 2020 and 2019, the Company had no commitments to advance additional funds to borrowers under TDR loans.

The Company has transferred a portion of its originated commercial real estate loans to participating lenders. The amounts transferred have been accounted for as sales and are therefore not included in the Company's accompanying statements of financial condition. The Company and participating lenders share ratably in any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. The Company continues to service the loans on behalf of the participating lenders and, as such, collects cash payments from the borrowers, remits payments to participating lenders and disburses required escrow funds to relevant parties. At December 31, 2020 and 2019, the Company was servicing loans for participants aggregating $4,291 and $4,645, respectively.

The Company services certain loans that it has sold without recourse to third parties. The aggregate balances of loans serviced for others were $300,700 and $270,730 as of December 31, 2020 and 2019, respectively.

The balance of capitalized servicing rights, included in other assets at December 31, 2020 and 2019, were $2,390 and $2,226, respectively. Fair value exceeds carrying value. No impairment charges related to servicing rights were recognized during the years ended December 31, 2020 or 2019.

The following tables summarize the segments of the loan portfolio and the allowance for lease and loan losses, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment and the activity in the allowance for lease and loan losses for the periods then ended:

	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Indirect	Consumer	Totals
	Year ended December 31, 2020					
Allowance for loan losses:						
Beginning balance	$ 2,009	$ 99	$ 603	$ 3,117	$ 126	$ 5,954
Provision for loan losses	3,341	18	585	3,166	28	7,138
Loans charged-off	—	—	(153)	(2,307)	(47)	(2,507)
Recoveries	4	—	15	998	31	1,048
Ending balance	$ 5,354	$ 117	$ 1,050	$ 4,974	$ 138	$ 11,633
Ending balance:						
Loans deemed impaired	$ —	$ —	$ 11	$ 135	$ 7	$ 153
Loans not deemed impaired	$ 5,354	$ 117	$ 1,039	$ 4,839	$ 131	$ 11,480
Loan receivables:						
Ending balance	$ 284,120	$ 39,239	$ 154,016	$ 376,260	$ 22,981	$ 876,616
Ending balance:						
Loans deemed impaired	$ 1,944	$ 2,641	$ 366	$ 990	$ 394	$ 6,335
Loans not deemed impaired	$ 282,176	$ 36,598	$ 153,650	$ 375,270	$ 22,587	$ 870,281

	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Indirect	Consumer	Totals
	Year ended December 31, 2019					
Allowance for loan losses:						
Beginning balance	$ 1,080	$ 320	$ 1,542	$ 2,915	$ 789	$ 6,646
Provision for loan losses	2,679	(302)	(645)	1,332	(604)	2,460
Loans charged-off	(1,750)	—	(312)	(2,083)	(132)	(4,277)
Recoveries	—	81	18	953	73	1,125
Ending balance	$ 2,009	$ 99	$ 603	$ 3,117	$ 126	$ 5,954
Ending balance:						
Loans deemed impaired	$ —	$ —	$ —	$ 107	$ —	$ 107
Loans not deemed impaired	$ 2,009	$ 99	$ 603	$ 3,010	$ 126	$ 5,847
Loan receivables:						
Ending balance	$ 268,640	$ 43,726	$ 90,554	$ 360,569	$ 26,028	$ 789,517
Ending balance:						
Loans deemed impaired	$ 4,296	$ 2,341	$ 905	$ 953	$ 426	$ 8,921
Loans not deemed impaired	$ 264,344	$ 41,385	$ 89,649	$ 359,616	$ 25,602	$ 780,596

In the normal course of business, the Company grants loans to officers, directors and other related parties. Balances and activity of such loans during the years presented were not material.

4. Premises and Equipment

Premises and equipment are summarized as follows:

	December 31, 2020	December 31, 2019
Land	$ 3,732	$ 3,690
Buildings and improvements	26,431	25,371
Furniture, fixtures and equipment	13,042	12,090
Construction in process	93	267
Total	43,298	41,418
Less accumulated depreciation	(24,459)	(23,080)
Net	$ 18,839	$ 18,338

5. Deposits

Deposits balances are summarized as follows:

	December 31, 2020	December 31, 2019
Noninterest bearing demand deposits	$ 244,344	$ 179,236
Interest bearing accounts:		
NOW	141,580	95,572
Savings	157,414	121,139
Money market	185,383	158,747
Time certificates of deposit	200,643	218,649
Total interest bearing accounts	685,020	594,107
Total deposits	$ 929,364	$ 773,343

Included in time certificates of deposit at December 31, 2020 and 2019 were reciprocal deposits totaling $30,012 and $21,270, respectively, with original maturities of one to three years. Time certificates of deposit in denominations of $250 or greater were $34,565 and $44,605 as of December 31, 2020 and 2019, respectively.

Contractual maturities of time certificates of deposit at December 31, 2020 are summarized below:

	December 31, 2020
Within 1 year	$ 147,627
1 – 2 years	29,180
2 – 3 years	9,404
3 – 4 years	6,826
4 – 5 years	7,606
Total	$ 200,643

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6. Long-Term Debt and FHLB Stock

FHLB Borrowings and Stock

The Company is a member of the FHLB. At December 31, 2020 and 2019, the Company had access to a preapproved secured line of credit with the FHLB of $564,330 and $486,906, respectively. Borrowings under this line require collateralization through the pledge of specific loans and securities. At December 31, 2020 and 2019, the Company had pledged assets of $175,011 and $168,230, respectively. At December 31, 2020 and 2019, the Company had outstanding overnight line of credit balances with FHLB of $0 and $22,500, respectively. These borrowings mature the following business day. At December 31, 2020, the Company also had structured borrowings in the amount of $50,674. The outstanding principal amounts and the related terms and rates at December 31, 2020 were as follows:

Term	Principal	Maturity	Rate	Due in one year	Long term
1 year bullet	10,000	March 26, 2021	0.80 %	10,000	—
2 year amortizing	2,548	May 17, 2021	2.53 %	2,548	—
2 year bullet	10,000	May 17, 2021	2.46 %	10,000	—
3 year amortizing	1,728	May 17, 2021	2.92 %	1,728	—
3 year amortizing	5,093	May 16, 2022	2.49 %	3,374	1,719
3 year bullet	10,000	May 16, 2022	2.44 %	—	10,000
3 year amortizing	11,305	February 28, 2023	1.32 %	4,983	6,322
Total	$ 50,674	Weighted Average Rate	1.90 %	$ 32,633	$ 18,041

The Company is required to maintain an investment in capital stock of the FHLB, as collateral, in an amount equal to a certain percentage of its outstanding debt. FHLB stock is considered restricted stock and is carried at cost. The Company evaluates for impairment based on the ultimate recovery ability of the cost. No impairment was recognized at either December 31, 2020 or 2019.

Federal Reserve Bank Borrowings

In April 2020, the Bank became a participant in the Federal Reserve's Payroll Protection Program Lending Facility, which allowed us to present PPP loans as collateral for 100% principal credit at the Federal Reserve's discount window. The term of these loans mirrored the actual maturity of the underlying collateral and had a fixed interest rate of 0.35%. In April 2020, we borrowed $70,100, which was repaid in full on July 2, 2020.

Subordinated Debt

During 2005, Rhinebeck Bancorp, MHC formed RSB Capital Trust I ("Trust"), which was transferred to the Company, which owns all of the Trust's common securities. The Trust has no independent assets or operations and was created for the sole purpose of issuing trust securities and investing the proceeds thereof in an equivalent amount of junior subordinated debentures issued by the Company. Trust preferred securities are currently considered Tier 1 capital for purposes of determining the Bank's capital ratios. The trust securities also bear interest at 3-month LIBOR plus 2.00%. The duration of the Trust is 30 years.

The subordinated debt securities of $5,155 are unsecured obligations of the Company and are subordinate and junior in right of payment to all present and future senior indebtedness of the Company. The Company has entered into a guarantee, which together with its obligations under the subordinated debt securities and the declaration of trust governing the Trust, including its obligations to pay costs, expenses, debts and liabilities, other than trust securities, provides a full and unconditional guarantee of amounts on the capital securities. The subordinated debentures, which bear interest at 3-month LIBOR plus 2.00% (2.21% at December 31, 2020 and 3.91% at December 31, 2019) mature on May 23, 2035.

Other Borrowings

The Company also has an unsecured, uncommitted $10,000 line of credit with Zions Bank. There were no advances outstanding under this line of credit at December 31, 2020 and 2019.

7. Income Taxes

The components of the provision for income taxes are as follows:

	Years Ended December 31, 2020	2019
Current expense:		
Federal	$ 3,078	$ 1,621
State	12	2
Total	3,090	1,623
Deferred expense:		
Federal	(1,531)	(94)
Total provision for income taxes	$ 1,559	$ 1,529

The following is a reconciliation between the expected federal statutory income tax rate of 21% (2020 and 2019) and the Company's actual income tax expense and rate:

	Years ended December 31, 2020		2019	
Provision at statutory rate	$ 1,570	21 %	$ 1,573	21 %
Tax exempt income	(79)	(1)%	(84)	(1)%
State income taxes, net of federal income tax benefit	12	0 %	12	0 %
Other, net	56	1 %	28	0 %
Effective income tax and rate	$ 1,559	21 %	$ 1,529	20 %

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The tax effects of temporary differences that give rise to significant components of the deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019 are presented below:

	December 31, 2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 3,141	$ 1,608
Deferred expenses	47	58
Deferred compensation	1,271	879
Unrecognized pension liability	1,272	1,038
Postretirement liability	954	932
Deferred loss on OREO	83	187
Deferred loan fees	158	—
Unrealized loss on securities	—	53
State tax NOLs	990	870
Other	324	201
Gross deferred tax assets	8,240	5,826
Deferred tax liabilities:		
Prepaid expenses	(217)	(209)
Prepaid pension	(1,276)	(1,248)
Deferred loan fees	—	(207)
Depreciation and amortization	(375)	(104)
Unrealized gain on securities	(264)	—
Mortgage servicing rights	(645)	(601)
Gross deferred tax liabilities	(2,777)	(2,369)
Net deferred tax asset	5,463	3,457
Deferred tax valuation allowance	(1,760)	(1,202)
Deferred tax assets, net of allowance	$ 3,703	$ 2,255

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 relative federal or state tax law to the taxable income determined. 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 at the currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. Deferred income tax expense or benefit results from changes in deferred tax assets ("DTAs") and liabilities between periods. DTAs 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.

As New York State ("NYS") tax law provides for a permanent deduction of income from "qualified" loans for community banks, management determined that the Company would most likely not pay NYS income tax but will rather generate NYS net operating losses ("NOLs") for the foreseeable future. In management's opinion, it is expected that in future years there will be no opportunity to reverse the NYS DTAs to provide a reduction in NYS income taxes, so the Company established a full valuation allowance to recognize the fully diminished value of the NYS DTAs. The Company has NYS NOLs of $990 that expire from 2034 through 2040.

Retained earnings at December 31, 2020 and 2019 include a contingency reserve for loan losses of $1,534 which represents the tax reserve balance existing at December 31, 1987 and is maintained in accordance with provisions of the Internal Revenue Code applicable to mutual savings banks. Amounts transferred to the reserve have been claimed as deductions from taxable income and, if the reserve is used for purposes other than to absorb losses on loans, a federal income tax liability could be incurred. It is not anticipated that the Company will incur a federal income tax liability relating to this reserve balance and accordingly, deferred income taxes of $414 at December 31, 2020 and $414 at December 31, 2019 have not been recognized.

The Company's income tax returns are subject to review and examination by federal and state taxing authorities. The Company is currently open to audit under the applicable statutes of limitations by the Internal Revenue Service for the years ended December 31, 2017 through 2020. The years open to examination by state taxing authorities vary by jurisdiction; no years prior to 2017 are open.

8. Employee Benefits

Employee Stock Ownership Plan

On January 1, 2019, the Bank established an ESOP to provide eligible employees the opportunity to own Company stock. The plan is a tax-qualified retirement plan for the benefit of Bank employees. On January 16, 2019, the Company granted a loan to the ESOP for the purchase of 436,425 shares of the Company's common stock at a price of $10.00 per share. The loan obtained by the ESOP from the Company to purchase the common stock is payable annually over 20 years at a rate per annum equal to the Prime Rate, reset annually on January 1st (4.25% at January 1, 2020 and 3.25% on January 1, 2021). Loan payments are principally funded by cash contributions from the Bank. The loan is secured by the shares purchased, which are held in a suspense account for allocation among participants as the loan is repaid. The balance of the ESOP loan was $4,087 and $4,229 at December 31, 2020 and 2019, respectively. Contributions are allocated to eligible participants on the basis of compensation, subject to federal tax limits. The number of shares committed to be released annually is 21,821 through 2039.

Shares held by the ESOP include the following:

	2020	2019
Allocated	21,821	—
Committed to be allocated	21,821	21,821
Unallocated	392,783	414,604
Paid out to participants	(68)	—
Total shares	436,357	436,425

The fair value of unallocated shares was $3,358 and $4,689 at December 31, 2020 and 2019, respectively.

Total compensation expense recognized in connection with the ESOP for the years ended December 31, 2020 and 2019 was $170 and $243, respectively.

Share-Based Compensation Plan

On May 26, 2020, stockholders of the Company approved the 2020 Equity Incentive Plan (the "EIP"). The EIP authorizes the issuance or delivery to participants of up to 763,743 shares of Rhinebeck Bancorp common stock pursuant to grants of incentive and non-qualified stock options, restricted stock awards and restricted stock units. Of this number, the maximum number of shares of Rhinebeck Bancorp common stock that may be issued under the EIP pursuant to the exercise of stock options is 545,531 shares, and the maximum number of shares of Rhinebeck Bancorp common stock that may be issued as restricted stock awards or restricted stock units is 218,212 shares. These amounts represent 4.90% and 1.96%, respectively, of the number of shares of common stock issued in the stock offering of Rhinebeck Bancorp, including the shares issued to Rhinebeck Bancorp, MHC.

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Pursuant to terms of the EIP, the Board of Directors granted restricted stock and stock options to employees and directors, effective August 25, 2020. All of the awards granted to date vest annually over a three-year period from the date of the grant and the maximum term of each option is ten years. As of December 31, 2020, there were 97,146 stock options and 48,443 restricted stock awards that remain available for future grants.

The fair value of each option award for the EIP is estimated on the date of grant using the Black-Scholes Option-Pricing Model. The expected volatility is based on the historical volatility of a peer group of comparable SEC-reporting bank holding companies. The dividend yield assumption is based on the Company's expectation of dividend payouts. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the date of grant. The Company has elected to recognize forfeitures as they occur.

The Company follows SEC safe-harbor guidelines when determining the expected term of the options granted. The weighted average assumptions used and fair value for options granted as of December 31, 2020 are as follows:

	December 31, 2020
Expected term (years)	6
Expected dividend yield	0%
Weighted-average expected volatility	25.45%
Weighted-average risk-free interest rate	0.29%
Weighted-average fair value of options granted	$1.67

A summary of options under the 2020 EIP as of December 31, 2020, is presented below:

	Number of Shares	Weighted - Average Exercise Price	Weighted-Average Contractual Term (in Years)
Options outstanding at beginning of year	-	$ -	-
Options granted	448,385	6.61	6.00
Options exercised	-	-	-
Forfeited	-	-	-
Options outstanding at December 31, 2020	448,385	$ 6.61	6.00
Options exercisable at December 31, 2020	-	-	-

The aggregate intrinsic value, which fluctuates based on changes in the fair market value of the Company's stock, at December 31, 2020, was $868. The aggregate intrinsic value represents the total pre-tax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of period and the weighted-average exercise price, multiplied by the number of shares) that would have been received by the option holders had all option holders exercised their options on December 31, 2020.

As of December 31, 2020, there was $662 of unrecognized compensation cost related to the nonvested stock options granted under the 2020 EIP. The cost is expected to be recognized over a remaining period of 2.66 years.

The following table summarizes the Company's restricted stock activity for the year ended December 31, 2020:

	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested restricted stock at beginning of year	-	$ -
Granted	169,769	6.57
Vested	-	-
Forfeited	-	-
Non-vested restricted stock at end of year	169,769	$ 6.57

As of December 31, 2020, there was $984 of unrecognized compensation cost related to the nonvested restricted stock awards granted under the 2020 EIP. The cost is expected to be recognized over a remaining period of 2.65 years.

The aggregate grant date fair value of the options and restricted stock granted as of December 31, 2020 was $747 and $1,115, respectively.

For the year ended December 31, 2020, share-based compensation expense under the plan was $216.

Pension Plan

The Bank maintains a noncontributory defined benefit pension plan covering substantially all of its employees 21 years of age or older who have completed at least one year of service. On April 24, 2012, the Board of Directors of Rhinebeck Bank voted to freeze the Bank's defined benefit plan as of June 30, 2012.

The following table sets forth the plan's funded status and amounts recognized in the Company's consolidated statements of financial condition:

	December 31, 2020	December 31, 2019
Projected and accumulated benefit obligation	$ (23,964)	$ (20,953)
Plan assets at fair value	22,634	20,628
Funded status included in accrued expenses and other liabilities	$ (1,330)	$ (325)

Amounts recognized in accumulated other comprehensive loss consisted of the following:

	Years ended December 31, 2020	2019
Net actuarial loss	$ 6,055	$ 4,948

The net periodic pension (benefit) cost and amounts recognized in other comprehensive income are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Interest cost	$ 670	$ 734
Expected return on plan assets	(1,058)	(868)
Amortization of unrecognized loss	285	345
Net periodic (benefit) cost	$ (103)	$ 211

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In 2020 and 2019, net actuarial loss resulted primarily from changes in the discount rate. Estimated net actuarial loss of $358 will be amortized from accumulated other comprehensive loss into net periodic pension cost in 2021. Weighted-average assumptions used by the Company to determine the pension benefit obligation consisted of the following:

	Years ended December 31, 2020	2019
Discount rate	2.50 %	3.25 %
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used by the Company to determine the net periodic pension cost consisted of the following:

	Years ended December 31, 2020	2019
Discount rate	3.25 %	4.20 %
Expected long-term return on plan assets	5.50 %	5.50 %
Rate of compensation increase	N/A	N/A

The expected long-term rate of return on plan assets has been determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the plan. Plan assets are invested in pooled separate accounts consisting of underlying investments in eleven diversified investment funds.

As of December 31, 2020 and 2019, the investment funds include seven equity funds, three bond funds and a real estate fund, each with its own investment objectives, investment strategies and risks, as detailed in the Plan's investment policy statement. The Company determines the appropriate strategic asset allocation versus plan liabilities, as governed by the investment policy statement.

The assets of the plan are invested under the supervision of the Company's investment committee in accordance with the investment policy statement. The investment options of the plan are chosen in a manner consistent with generally accepted standards of fiduciary responsibility. The investment performance of the Company's individual investment managers, with the assistance of the Company's investment consultant, is monitored on a quarterly basis and is reviewed at least annually relative to the objectives and guidelines as stated in the Company's investment policy statement.

The fair value of the Company's pension plan assets, by fair value hierarchy, are as follows:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment in separate accounts				
Fixed income	$ 15,189	$ —	$ —	$ 15,189
Equity	6,206	—	—	6,206
Other	1,239	—	—	1,239
Total assets at fair value	$ 22,634	$ —	$ —	$ 22,634

(Dollars in thousands, except share and per share data)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment in separate accounts				
Fixed income	$ 14,143	$ —	$ —	$ 14,143
Equity	5,256	—	—	5,256
Other	1,229	—	—	1,229
Total assets at fair value	$ 20,628	$ —	$ —	$ 20,628

The pooled separate accounts are valued at the net asset per unit based on either the observable net asset value of the underlying investment or the net asset value of the underlying pool of securities. Net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding.

Benefit payments are as follows:

	Year ended December 31,	
	2020	2019
Benefits paid	$ 600	$ 503

As of December 31, 2020 the following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year Ending	Pension Benefits
2021	$ 780
2022	790
2023	810
2024	890
2025	920
2026 – 2030	5,290

The Company made no contributions to the plan in either 2020 or 2019.

Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan. Participants are permitted, in accordance with the provisions of Section 401(k) of the Internal Revenue Code, to contribute up to 25% of their earnings (as defined) into the plan with the Company matching up to 6%, subject to Internal Revenue Service limitations. The Company's contributions charged to operations amounted to $993 and $828 for the years ended December 31, 2020 and 2019, respectively.

Bank Owned Life Insurance

The Company has an investment in and is the beneficiary of life insurance policies on the lives of certain officers and directors. The purpose of these life insurance policies is to provide income through the appreciation in cash surrender value of the policies, which is expected to offset the cost of the deferred compensation plans. These policies had aggregate cash surrender values of $18,877 and $18,457 at December 31, 2020 and 2019, respectively. Net earnings on these policies aggregated $380 and $398 for the years ended December 31, 2020 and 2019, respectively, which are included in noninterest income in the consolidated statements of income.

Deferred Compensation Arrangements

Trustees' Plan

The Company's 1991 Plan (the "Trustees' Plan") covers directors who elect to defer fees earned. Under the terms of the Trustees' Plan, each participant may elect to defer all or part of their annual director's fees. Upon resignation, retirement, or death, the participants' total deferred compensation, including earnings thereon, will be paid out. At December 31, 2020 and 2019, $2,483 and $2,086, respectively, are included in accrued expenses and other liabilities, which represents cumulative amounts deferred and earnings thereon. Total expense related to the Trustees' Plan years ended December 31, 2020 and 2019 were $178 and $126, respectively, which are included in noninterest expense in the consolidated statements of income.

Executive Long-Term Incentive and Retention Plan

The Company maintains an Executive Long-Term Incentive and Retention Plan (the "Executive Plan"). Participation in the Executive Plan is limited to officers of the Company designated as participants by the Board of Directors and who filed a properly completed and executed participation agreement in accordance with the terms of the Executive Plan. Under the Executive Plan, the Board of Directors may grant annual incentive awards equal to a percentage of a participant's base salary at the rate in effect on the last day of the Plan year, as determined by the Board of Directors based on the attainment of criteria established annually by the Board of Directors. Incentive awards under the Executive Plan are credited to the participant's incentive benefit account as of the last day of the Executive Plan year to which the award relates and earn interest at a rate determined annually by the Board of Directors. Participants vest in their benefit accounts in accordance with the vesting schedule approved by the Board of Directors, which ranges from one to five years of service. At December 31, 2020 and 2019, $1,312 and $1,163, respectively, is included in accrued expenses and other liabilities, which represents the cumulative amounts deferred and earnings thereon. The Company recognized expenses of $413 and $593 for the years ended December 31, 2020 and 2019, respectively, related to this plan and which are included in salaries and employee benefits expense in the consolidated statements of income.

Group Term Replacement Plan

Under the terms of the "Group Term Replacement Plan", the Company provides postretirement life insurance benefits to certain officers. The liability related to these postretirement benefits is being accrued over the individual participants' service period and aggregated $1,387 and $1,330, respectively, at December 31, 2020 and 2019. The Company recognized expenses of $57 and $54 for the years ended December 31, 2020 and 2019, respectively, related to this plan which are included in salaries and employee benefits expense in the consolidated statements of income.

Other Director and Officer Postretirement Benefits

The Company has individual fee continuation agreements with certain directors and a supplemental retirement agreement with an executive officer which provide for fixed postretirement benefits to be paid to the directors and the officer, or their beneficiaries, for periods ranging from 15 to 20 years. In addition, the Company has agreements with certain directors which provide for certain postretirement life insurance benefits. The liability related to these postretirement benefits is being accrued over the individual participants' service period and aggregated $2,148 and $2,123, respectively, at December 31, 2020 and 2019. The Company recognized expenses of $86 and $78 for the years ended December 31, 2020 and 2019, respectively, related to these benefits which are included in other noninterest expenses in the consolidated statements of income.

(Dollars in thousands, except share and per share data)

9. Leases

As of December 31, 2020, the Company leases real estate for seven branch offices under various lease agreements. All of our leases are classified as operating leases, and therefore, were previously not recognized on the Company's consolidated statements of financial condition. With the adoption of Topic 842, operating lease agreements are required to be recognized on the consolidated statements of financial condition as a right-of-use ("ROU") asset and a corresponding lease liability.

The calculated amount of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's leases have maturities which range from 2021 to 2035, some of which include lessee options to extend the lease term. If the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. The weighted average remaining life of the lease terms for these leases was 12.7 years as of December 31, 2020. As most of our leases do not provide an implicit rate, the Company used its incremental borrowing rate, the rate of interest to borrow on a collateralized basis for a similar term, at the lease commencement date. The Company utilized a weighted average discount rate of 2.61% in determining the lease liability as of December 31, 2020.

For the year ended December 31, 2020, total operating lease costs were $588 and were included in occupancy and other expense. Deferred rent liability was $176 at December 31, 2020 and $213 at December 31, 2019. The right-of-use asset, included in other assets, was $6,289 and the corresponding lease liability, included in accrued expenses and other liabilities was $6,289 as of December 31, 2020.

Future minimum payments for operating leases with initial or remaining terms of one year or more as of December 31, 2020 were as follows:

Years ending December 31:	
2021	$ 637
2022	593
2023	570
2024	566
2025	579
Thereafter	4,507
Total future minimum lease payments	7,452
Amounts representing interest	(1,163)
Present Value of Net Future Minimum Lease Payments	$ 6,289

10. Commitments and Contingencies

Legal Matters

The Company is involved in various legal proceedings which have arisen in the normal course of business. Management believes that resolution of these matters will not have a material effect on the Company's financial condition or results of operations.

Employment Agreements

The Company has entered into employment agreements with certain officers. The agreements provide for base salaries and incentive compensation based on performance criteria outlined in the agreements. The agreements also provide for insurance, various other benefits and addresses other contractual issues, such as a change of control.

Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include standby letters of credit and commitments to extend credit, which include new loan commitments and undisbursed portions of construction loans and other lines of credit. These financial instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statements of financial condition. The contractual amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer defaults and the value of any existing collateral become worthless. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Financial instruments whose contract amounts represent off-balance sheet credit risk are as follows:

	Years ended December 31, 2020	2019
Commitments to extend credit summarized as follows:		
Future loan commitments	$ 14,356	$ 9,881
Undisbursed construction loans	3,493	10,202
Undisbursed home equity lines of credit	10,686	10,277
Undisbursed commercial and other line of credit	63,911	59,234
Standby letters of credit	5,681	5,290
Total	$ 98,127	$ 94,884

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. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Since these commitments could expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include residential and commercial property, deposits and securities.

11. Regulatory Matters

The Bank is subject to various 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 Company's 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 the Bank's assets, liabilities and certain off-balance-sheet items, as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

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Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the tables below) of total, common equity Tier 1 and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020 and 2019, that the Bank met all capital adequacy requirements to which they are subject.

The most recent notification from the FDIC categorized the Bank as "well capitalized" under the regulatory framework. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, common equity Tier 1, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since then, which management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios were:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	December 31, 2020					
Rhinebeck Bank						
Total capital (to risk-weighted assets)	$ 121,604	13.97 %	$ 69,614	8.00 %	$ 87,018	10.00 %
Tier 1 capital (to risk-weighted assets)	110,717	12.72 %	52,211	6.00 %	69,614	8.00 %
Common equity tier one capital (to risk weighted assets)	110,717	12.72 %	39,158	4.50 %	56,562	6.50 %
Tier 1 capital (to average assets)	110,717	9.95 %	44,529	4.00 %	55,662	5.00 %
	December 31, 2019					
Rhinebeck Bank						
Total capital (to risk-weighted assets)	$ 109,799	12.83 %	$ 68,481	8.00 %	$ 85,602	10.00 %
Tier 1 capital (to risk-weighted assets)	103,845	12.13 %	51,361	6.00 %	68,481	8.00 %
Common equity tier one capital (to risk weighted assets)	103,845	12.13 %	38,521	4.50 %	55,641	6.50 %
Tier 1 capital (to average assets)	103,845	10.84 %	38,325	4.00 %	47,907	5.00 %

12. Fair Value

As described in Note 1, the Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. A description of the valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial and non-financial instruments not recorded at fair value, is set forth below.

Cash and Due from Banks

The carrying amount is a reasonable estimate of fair value.

Available for Sale Securities

Where quoted prices are available in an active market for identical securities, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include marketable equity securities and U.S. Treasury obligations. If

quoted prices are not available, then fair values are estimated by using pricing models (i.e., matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency bonds, mortgage-backed securities and municipal bonds. Level 3 securities include securities for which significant unobservable inputs are utilized. Available for sale securities are recorded at fair value on a recurring basis.

FHLB Stock

The carrying value of FHLB stock approximates fair value based on the redemption provisions of the FHLB.

Loans

Loans receivable are carried at cost. For variable rate loans which reprice frequently carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolios. The fair value of fixed rate loans is estimated by discounting the future cash flows using the year end rates, estimated using local market data, at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolios. The Company does not record loans at fair value on a recurring basis. However, from time to time, nonrecurring fair value adjustments to collateral-dependent impaired loans are recorded to reflect partial write-downs based on the observable market price or current appraised value of collateral.

Other Real Estate Owned

Other real estate owned represents real estate acquired through foreclosure and is carried at fair value less estimated selling costs. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. These assets are included as Level 3 fair values, based upon the lowest level of input that is utilized in the fair value measurements.

Mortgage Servicing Rights

The fair value of mortgage servicing rights is based on a valuation model that calculates the present value of estimated future net servicing income. Mortgage servicing rights are carried at the lower of amortized cost or estimated fair value and are included in other assets on the consolidated statements of financial condition.

Deposits

Deposit liabilities are carried at cost. The fair value of NOW, savings and money market deposits is the amount payable on demand at the reporting date. The fair value of time certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities estimated using local market data to a schedule of aggregated expected maturities on such deposits.

Mortgagors' escrow account

The carrying amount is a reasonable estimate of fair value.

Advances from the FHLB

The fair value of the advances is estimated using a discounted cash flow calculation that applies current FHLB interest rates for advances of similar maturity to a schedule of maturities of such advances.

Subordinated Debt

Based on the floating rate characteristic of these instruments, the carrying value is considered to approximate fair value.

Off-Balance-Sheet Instruments

Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings. Such amounts are not significant.

The following tables detail the assets that are carried at fair value on a recurring basis as of the periods shown and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2020			
U.S. government agency mortgage-backed securities-residential	$ 89,270	$ —	$ 89,270	$ —
U.S. government agency securities	7,161	—	7,161	—
Municipal securities	1,476	—	1,316	160
Corporate Bonds	4,446	—	4,446	—
Other	580	—	580	—
Total	$ 102,933	$ —	$ 102,773	$ 160
	December 31, 2019			
U.S. government agency mortgage-backed securities – residential	$ 98,478	$ —	$ 98,478	$ —
U.S. government agency securities	12,076	—	12,076	—
Municipal securities	1,396	—	1,216	180
Corporate Bonds	2,273	—	2,273	—
Other	609	—	609	—
Total	$ 114,832	$ —	$ 114,652	$ 180

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The following tables detail the assets carried at fair value and measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2020			
Impaired loans, with specific reserves	$ 509	$ —	$ —	$ 509
Other real estate owned	139	—	—	139
Total	$ 648	$ —	$ —	$ 648
	December 31, 2019			
Impaired loans, with specific reserves	$ 239	$ —	$ —	$ 239
Other real estate owned	1,417	—	—	1,417
Total	$ 1,656	$ —	$ —	$ 1,656

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Quantitative Information About Level 3 Fair Value Measurements			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
	December 31, 2020			
Impaired loans	$ 509	Appraisal of collateral (1)	Liquidation expenses (3)	0% to 6%
			Appraisal adjustments (2)	0% to 20%
Other real estate owned	139	Appraisal of collateral (1)	Liquidation expenses (3)	0% to 6%
			Appraisal adjustments (2)	0% to 20%
	December 31, 2019			
Impaired loans	$ 239	Appraisal of collateral (1)	Liquidation expenses (3)	0% to 6%
			Appraisal adjustments (2)	0% to 20%
Other real estate owned	1,417	Appraisal of collateral (1)	Liquidation expenses (3)	0% to 6%
			Appraisal adjustments (2)	0% to 20%

(1) Fair value is generally through independent appraisals of the underlying collateral that generally include various level 3 inputs which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraised value.

(3) Estimated costs to sell.

The Company discloses fair value information about financial instruments, whether or not recognized in the statements of financial condition, for which it is practicable to estimate that value. Certain financial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The estimated fair value amounts for 2020 and 2019 have been measured as of their respective reporting dates and have not been reevaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than amounts reported at each year-end.

(Dollars in thousands, except share and per share data)

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

As of the following dates, the carrying value and fair values of the Company's financial instruments were:

	December 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and due from banks (Level 1)	$ 93,485	$ 93,485	$ 11,978	$ 11,978
Available for sale securities (Level 2)	102,773	102,773	114,652	114,652
Available for sale securities (Level 3)	160	160	180	180
FHLB stock (Level 2)	2,787	2,787	3,435	3,435
Loans, net (Level 3)	873,813	876,699	793,471	796,262
Mortgage servicing rights (Level 3)	2,390	3,569	2,226	4,137
Financial Liabilities:				
Deposits (Level 2)	929,364	941,460	773,343	762,272
Mortgagors' escrow accounts (Level 2)	8,494	8,501	8,106	8,107
FHLB advances (Level 2)	50,674	51,468	66,304	66,724
Subordinated debt (Level 2)	5,155	5,155	5,155	5,155

13. Accumulated Other Comprehensive Loss

The activity in accumulated other comprehensive loss for the years ended December 31, 2020 and 2019, is as follows:

	Accumulated Other Comprehensive Loss[1]		
	Defined Benefit Pension Plan	Unrealized gains (losses) on available for sale securities	Total
Balance at December 31, 2019	$ (3,909)	$ (195)	$ (4,104)
Other comprehensive (loss) gain before reclassifications	(1,100)	1,165	65
Amounts reclassified from accumulated other comprehensive loss	225	23	248
Period change	(875)	1,188	313
Balance at December 31, 2020	$ (4,784)	$ 993	$ (3,791)
Balance at December 31, 2018	$ (4,436)	$ (2,576)	$ (7,012)
Other comprehensive gain before reclassifications	254	2,327	2,581
Amounts reclassified from accumulated other comprehensive loss	273	54	327
Period change	527	2,381	2,908
Balance at December 31, 2019	$ (3,909)	$ (195)	$ (4,104)

(1) All amounts are net of tax. Related income tax expense or benefit is calculated using an income tax rate of 21.0% in fiscal 2020 and 21.0% in fiscal 2019.

Details about accumulated other comprehensive loss components are as follows:

	Amount Reclassified from Accumulated Other Comprehensive Income for the Year Ended December 31,		Affected Line Item in the Consolidated Statement of Income
	2020	2019	
Securities available for sale[1]:			
Net securities losses reclassified into earnings	$ (29)	$ (69)	Net realized loss on sales and calls of securities
Related income tax expense	6	15	Provision for income taxes
Net effect on accumulated other comprehensive loss for the period	(23)	(54)	
Defined benefit pension plan[2]:			
Amortization of net loss and prior service costs	(285)	(346)	Other noninterest expense
Related income tax expense	60	73	Provision for income taxes
Net effect on accumulated other comprehensive loss for the period	(225)	(273)	
Total reclassifications for the period	$ (248)	$ (327)	

(1) For additional details related to unrealized gains and losses on securities and related amounts reclassified from accumulated other comprehensive loss see Note 2, "Available for Sale Securities."

(2) Included in the computation of net periodic pension cost. See Note 8, "Employee Benefits" for additional details.

14. Earnings Per Share

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental shares (computed using the treasury method) that would have been outstanding if all potentially dilutive common stock equivalents (such as options) were issued during the period. Unearned ESOP shares are not deemed outstanding for earnings per share calculations. For the years ended December 31, 2020, there were 448,385 options outstanding at an average weighted price of $6.61 per share that were not included in the computation of diluted earnings per share because to do so would be anti-dilutive.

	Year ended December 31,	
	2020	2019
Net income applicable to common stock	$ 5,917	$ 5,963
Average number of common shares outstanding	11,133,290	11,133,290
Less: Average unearned ESOP shares	403,694	425,514
Average number of common shares outstanding used to calculate basic earnings per common share	10,729,596	10,707,776
Additional common stock equivalents (nonvested stock) used to calculate diluted earnings per share	10,245	—
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	—	—
Weighted-average common shares and common stock equivalents used to calculate diluted earnings per share	10,739,841	10,707,776
Earnings per Common share:		
Basic	$ 0.55	$ 0.56
Diluted	$ 0.55	$ 0.56

Rhinebeck Bancorp, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(Dollars in thousands, except share and per share data)

15. Subsequent Events

ASC 855, Subsequent Events, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. Rhinebeck Bancorp, Inc. evaluated all events or transactions that occurred after December 31, 2020 through the date of the issued financial statements.

On October 26, 2020, the Bank and ConnectOne Bank, the wholly-owned subsidiary of ConnectOne Bancorp, Inc., executed a purchase and assumption agreement (the “Agreement”) providing for the acquisition by the Bank of the two ConnectOne branch offices located in Monroe and Warwick, New York. In accordance with the Agreement, the Bank will assume certain customer deposits and certain other assets and liabilities associated with those branch offices. On February 4, 2021, the Company announced that it had received all required regulatory approvals to acquire the two branches. The branches in Monroe and Warwick will become Rhinebeck Bank branches after the close of business on Friday, March 12 and will open Monday, March 15, as part of the Rhinebeck Bank system.

In December, the Company announced its intention to open two new branches, one in Newburgh, New York and one in Middletown, New York, further expanding our footprint in Orange County. The Company has received all required regulatory approvals to continue its expansion in Orange County with the openings of the Newburgh and Middletown branches in the spring of 2021.

Other than what is noted above, no other events meeting the requirements of disclosure arose during the time period from December 31, 2020 through the date of the issued financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RHINEBECK BANCORP, INC.

March 25, 2021

By:/s/ Michael J. Quinn
Michael J. Quinn
President and Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Michael J. Quinn Michael J. Quinn	President, Chief Executive Officer and Director (Principal Executive Officer)	March 25, 2021
/s/ Michael J. McDermott Michael J. McDermott	Chief Financial Officer (Principal Financial and Accounting Officer)	March 25, 2021
/s/ Louis Tumolo, Jr. Louis Tumolo, Jr.	Chairman of the Board	March 25, 2021
/s/ Frederick Battenfeld Frederick Battenfeld	Director	March 25, 2021
/s/ Christopher W. Chestney Christopher W. Chestney	Director	March 25, 2021
/s/ Freddimir Garcia Freddimir Garcia	Director	March 25, 2021
/s/ Steven Howell Steven Howell	Director	March 25, 2021
/s/ William C. Irwin William C. Irwin	Director	March 25, 2021
/s/ Shannon Martin LaFrance Shannon Martin LaFrance	Director	March 25, 2021
/s/ Suzanne Rhulen-Loughlin Suzanne Rhulen-Loughlin	Director	March 25, 2021

BOARD OF DIRECTORS

Louis Tumolo, Jr., DVM
Chairman of the Board

Frederick L. Battenfeld

Donald E. Beeler, Jr.
(Rhinebeck Bank Board only)

Christopher W. Chestney

Freddimir Garcia

Steven E. Howell

William C. Irwin

Shannon Martin LaFrance

Suzanne Rhulen-Loughlin

Michael J. Quinn

EXECUTIVE OFFICERS

Michael J. Quinn
President & Chief Executive Officer

Jamie J. Bloom
Chief Operating Officer

James T. McCardle III
Chief Credit Officer

Michael J. McDermott
Chief Financial Officer

Timmian C. Massie
Chief Marketing / Public Affairs Officer

Karen E. Morgan-D'Amelio
Chief Risk Officer & General Counsel/
Corporate Secretary

Francis X. Dwyer
President of Rhinebeck Asset Management

MANAGEMENT TEAM

Vincent Aurigemma
VP, Residential Lending

Michelle Barone-Lepore
SVP, Marketing

Melissa Blough
VP, Residential Mortgage Loan Operations Mgr.

Jeanine Borko
SVP, Human Resources

Megan Bourgoin
VP, Compliance Officer/Assistant Secretary

Philip Bronzi
SVP, Commercial Lending Director

David Curry
VP, Commercial Lender

Richard Kolosky
SVP, Commercial Team Leader, Hudson Valley West

Patrick Laffin
SVP, Deposit Operations and Electronic Payments

Phillip Lekanides
VP, Controller

Michael Liguori
VP, Commercial Lender

Vincent LoBosco
SVP, Consumer Lending

Mark Malone
SVP, Retail Banking

Tonya McCaughey
VP, Area Retail Leader

Andrea Miranda
VP, Loan Operations and Documentation

Dylan Murphy
VP, Credit Administration

Brooke O'Connell
VP, Area Retail Leader

Diane Passaro
VP, Market Manager

Cassandra Paupst
VP, Commercial Credit Analysis

Alissa Provanzana
VP, Financial Advisor

Elizabeth Roger
VP, Business Banking Officer

John Rose
VP, Indirect Lending Officer

Steven Rossi
VP, Commercial Credit Analysis

Dawn Scherer
SVP, Information Technology

Lisa Schumm
VP, Financial Reporting

Roy Shemitz
VP, Commercial Lender

Kathleen Tracy
VP, Commercial Lender

SHAREHOLDER INFORMATION

Annual Meeting
The annual meeting, scheduled for Wednesday, May 26, 2021 at 11:00 a.m., Eastern time, will be conducted exclusively online via a live webcast available at https://www.cstproxy.com/rhinebeckbancorp/2021.

To participate in the virtual meeting as a registered shareholder, you will need the **12-digit control number** included on your proxy card.

Stock Listing
The common stock is traded on the NASDAQ Capital Market under the ticker symbol RBKB.

Shareholder Inquiries
Michael J. Quinn - President & CEO
Rhinebeck Bank (845) 790-1501 MQuinn@RhinebeckBank.com

Auditor
Wolf & Company, P.C.
99 High Street
Boston, MA 02110

Legal Counsel
Luse Gorman, PC
5335 Wisconsin Avenue, NW, Suite 780
Washington, DC 20015

Transfer Agent
Continental Stock Transfer & Trust Company
1 State Street, 30th Floor
New York, NY 10004

Branches

Arlington
708 Dutchess Turnpike
Poughkeepsie, NY 12603

Beacon Area
1476 Route 9D
Wappingers Falls, NY 12590

East Fishkill
2523 Route 52
Hopewell Junction, NY 12533

Fishkill
1022 Main Street
Fishkill, NY 12524

Goshen
252 Main Street
Goshen, NY 10924

Hyde Park
1075 Violet Avenue
Hyde Park, NY 12538

Kingston
27 Main Street
Kingston, NY 12401

Mid Hudson Center
3432 North Road
Poughkeepsie, NY 12601

Middletown*
357 East Main Street
Middletown, NY 10941

Monroe
360 Route 17M
Monroe, NY 10950

Newburgh*
456 Broadway
Newburgh, NY 12550

Red Hook
7350 South Broadway
Red Hook, NY 12571

Rhinebeck
6414 Montgomery Street
Rhinebeck, NY 12572

South Road
1898 South Road
Poughkeepsie, NY 12601

Warwick
62 Main Street, Suite 1
Warwick, NY 10990

***Opening Soon In 2021**

Corporate Offices

2 Jefferson Plaza
Poughkeepsie, NY 12601

Rhinebeck Asset Management

2134 State Route 208
Montgomery, NY 12549

Rhinebeck Bancorp, Inc.