UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021
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 number 001-39883

Generations Bancorp NY, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**85-3659943**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

20 East Bayard Street
Seneca Falls , New York 13148
(Address of principal executive offices)
(Zip Code)

(315) 568-5855
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	GBNY	The NASDAQ Stock Market, LLC

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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

2,458,401 shares of the Registrant common stock, par value $0.01 per share, were issued and outstanding as of November 4, 2021.

Index

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Generations Bancorp NY, Inc.
Condensed Consolidated Statements of Financial Condition

(In thousands, except share data)		September 30, 2021		December 31, 2020
		(Unaudited)		
ASSETS:				
Cash and due from banks	$	5,685	$	4,168
Interest earning deposits		6,500		22,662
Total cash and cash equivalents		12,185		26,830
Investment securities available-for-sale, at fair value		36,846		17,926
Investment securities held-to-maturity (fair value 2021-$1,208, 2020-$1,510)		1,184		1,480
Equity investment securities, at fair value		325		661
Federal Home Loan Bank stock, at cost		1,562		1,992
Loans		289,490		287,461
Less: Allowance for loan losses		(2,071)		(1,821)
Loans receivable, net		287,419		285,640
Premises and equipment, net		15,955		16,743
Bank-owned life insurance		7,863		7,777
Pension plan asset		9,782		8,720
Foreclosed real estate & repossessed assets		56		45
Goodwill		792		792
Intangible assets, net		800		848
Accrued interest receivable		1,305		1,179
Other assets		1,300		2,381
Total assets	$	377,374	$	373,014
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Deposits:				
Noninterest-bearing	$	57,695	$	65,673
Interest-bearing		253,813		243,873
Total deposits		311,508		309,546
Long-term borrowings		19,858		27,628
Subordinated debt		—		1,235
Advances from borrowers for taxes and insurance		1,372		2,595
Other liabilities		2,170		2,124
Total liabilities		334,908		343,128
Shareholders' equity:				
Preferred stock, par value $0.01; 1,000,000 shares authorized; none issued		—		—
Common stock, par value $0.01; 14,000,000 and 9,000,000 shares authorized in 2021 and 2020, respectively; 2,458,401 and 2,546,836[(1)] shares issued in 2021 and 2020, respectively; and 2,458,401 and 2,458,580[(1)] shares outstanding in 2021 and 2020 respectively		26		26
Additional paid in capital		24,492		11,954
Retained earnings		21,151		20,256
Accumulated other comprehensive loss		(1,475)		(1,415)
Treasury stock, at cost; 88,256 shares in 2020[(1)]		—		(614)
Stock held in rabbi trust		(627)		(290)
Unearned ESOP shares, at cost		(1,101)		(31)
Total shareholders' equity		42,466		29,886
Total liabilities and shareholders' equity	$	377,374	$	373,014

(1) Share amounts related to the periods prior to the January 13, 2021 closing of the conversion offering have been restated to give retroactive recognition to the .9980 exchange ratio applied in the conversion offering (see Note 1).

The accompanying notes are an integral part of the condensed consolidated financial statements.

Generations Bancorp NY, Inc.
Condensed Consolidated Statements of Income (Unaudited)

(In thousands, except per share data)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Interest and dividend income:				
Loans, including fees	$ 3,247	$ 3,149	$ 9,463	$ 9,183
Debt and equity securities:				
Taxable	156	11	369	64
Tax-exempt	99	199	300	696
Interest-earning deposits	8	1	15	11
Other	21	32	67	103
Total interest income	3,531	3,392	10,214	10,057
Interest expense:				
Deposits	300	561	969	1,800
Short-term borrowings	—	2	—	2
Long-term borrowings	96	144	329	457
Subordinated debt	—	20	9	49
Total interest expense	396	727	1,307	2,308
Net interest income	3,135	2,665	8,907	7,749
Provision for loan losses	135	150	405	330
Net interest income after provision for loan losses	3,000	2,515	8,502	7,419
Noninterest income:				
Banking fees and service charges	400	370	1,172	1,099
Mortgage banking income, net	16	11	39	36
Insurance commissions	172	180	547	586
Investment services commissions	—	2	—	86
Earnings on bank-owned life insurance	27	37	86	104
Realized gains (losses) on equity securities	(1)	2	2	(176)
Net gain on sale of securities	13	509	11	509
Other charges, commissions & fees	44	34	146	431
Total noninterest income	671	1,145	2,003	2,675
Noninterest expense:				
Compensation and benefits	1,341	1,290	3,942	4,048
Occupancy and equipment	513	522	1,564	1,573
Impairment of long-lived assets	300	—	300	—
Service charges	537	503	1,547	1,453
Regulatory assessments	106	79	317	213
Professional and other services	171	135	454	401
Advertising	108	108	325	325
Other expenses	389	360	970	935
Total noninterest expenses	3,465	2,997	9,419	8,948
Income before income tax expense (benefit)	206	663	1,086	1,146
Income tax expense (benefit)	33	23	191	(201)
Net income	**173**	**640**	**895**	**1,347**
Net income available to common shareholders	**$ 173**	**$ 640**	**$ 895**	**$ 1,347**
Basic and diluted earnings per common share	**$ 0.07**	**$ 0.26**	**$ 0.38**	**$ 0.55**

The accompanying notes are an integral part of the condensed consolidated financial statements.

Generations Bancorp NY, Inc.
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net income	**$ 173**	**$ 640**	**$ 895**	**$ 1,347**
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities available-for-sale:				
Unrealized holding gains (losses) arising during the period	(349)	157	(150)	1,003
Reclassification adjustment for net gains included in net income	(13)	(480)	(11)	(480)
Net unrealized gains (losses) on securities available-for-sale	(362)	(323)	(161)	523
Defined benefit pension plan:				
Reclassification of amortization of net losses recognized in net pension expense	28	33	85	100
Net change in defined benefit pension plan asset	28	33	85	100
Other comprehensive income (loss), before tax	(334)	(290)	(76)	623
Tax effect	70	61	16	(131)
Other comprehensive income (loss), net of tax	**(264)**	**(229)**	**(60)**	**492**
Total comprehensive income (loss)	**$ (91)**	**$ 411**	**$ 835**	**$ 1,839**

The accompanying notes are an integral part of the condensed consolidated financial statements.

Generations Bancorp NY, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(In thousands, except share data)	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Stock Held by Rabbi Trust	Unearned ESOP Shares	Total
Balance, June 30, 2021	$ 26	$ 24,491	$ 20,978	$ (1,211)	$ —	$ (627)	$ (1,112)	$ 42,545
Net income	—	—	173	—	—	—	—	173
Other comprehensive loss	—	—	—	(264)	—	—	—	(264)
ESOP shares committed to be released	—	1	—	—	—	—	11	12
Balance, September 30, 2021	$ 26	$ 24,492	$ 21,151	$ (1,475)	$ —	$ (627)	$ (1,101)	$ 42,466
Balance, June 30, 2020	$ 26	$ 11,958	$ 19,278	$ (941)	$ (615)	$ (290)	$ (62)	$ 29,354
Net income	—	—	640	—	—	—	—	640
Other comprehensive loss	—	—	—	(229)	—	—	—	(229)
ESOP shares committed to be released	—	(2)	—	—	—	—	15	13
Balance, September 30, 2020	$ 26	$ 11,956	$ 19,918	$ (1,170)	$ (615)	$ (290)	$ (47)	$ 29,778

(In thousands, except share data)	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Stock Held by Rabbi Trust	Unearned ESOP Shares	Total
Balance, January 1, 2021	$ 26	$ 11,954	$ 20,256	$ (1,415)	(614)	$ (290)	$ (31)	$ 29,886
Net income	—	—	895	—	—	—	—	895
Proceeds from issuance of 1,477,575 shares of commons stock (which included 109,450 shares related to the ESOP), net of the offering cost of $1.65 million	—	13,151	—	—	—	—	(1,104)	12,047
Treasury Stock retired	—	(614)	—	—	614	—	—	—
Other comprehensive loss	—	—	—	(60)	—	—	—	(60)
Purchase of common stock for DRP	—	—	—	—	—	(337)	—	(337)
ESOP shares committed to be released	—	1	—	—	—	—	34	35
Balance, September 30, 2021	$ 26	$ 24,492	$ 21,151	$ (1,475)	$ —	$ (627)	$ (1,101)	$ 42,466
Balance, January 1, 2020	$ 26	$ 11,962	$ 18,571	$ (1,662)	$ (573)	$ —	$ (93)	$ 28,231
Net income	—	—	1,347	—	—	—	—	1,347
Other comprehensive income	—	—	—	492	—	—	—	492
Purchase of common stock for SERPs	—	—	—	—	—	(290)	—	(290)
Repurchase of common stock	—	—	—	—	(42)	—	—	(42)
ESOP shares committed to be released	—	(6)	—	—	—	—	46	40
Balance, September 30, 2020	$ 26	$ 11,956	$ 19,918	$ (1,170)	$ (615)	$ (290)	$ (47)	$ 29,778

The accompanying notes are an integral part of the condensed consolidated financial statements.

Generations Bancorp NY, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)	Nine Months Ended September 30, 2021	2020
OPERATING ACTIVITIES		
Net income	$ 895	$ 1,347
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	405	330
Deferred income tax expense (benefit)	239	(201)
Realized gains on sales of:		
Securities	(11)	(509)
Gain on merger with Medina Savings and Loan Association	—	—
Write-down of premises and equipment to fair value	—	25
Impairment of long-lived asset	300	—
Write-down of other real estate owned to fair value	—	30
Realized (gains) losses on equity securities	(2)	176
Directors' retirement plan net gains	—	(98)
Depreciation	784	795
Amortization of intangible asset	48	49
Amortization of fair value adjustment to purchased loan portfolio	(52)	(52)
ESOP expense	35	46
Amortization of deferred loan costs	69	306
Earnings on bank-owned life insurance	(86)	(104)
Change in pension plan assets	(976)	(734)
Net amortization of premiums and discounts on investment securities	226	(21)
Net change in accrued interest receivable	(126)	(211)
Net change in other assets and liabilities	(317)	(1,198)
Net cash provided (used) by operating activities	**1,431**	**(24)**
INVESTING ACTIVITIES		
Purchase of equity investment securities	(1)	(1)
Purchase of investment securities available-for-sale	(25,293)	(2,008)
Net proceeds from the redemption of Federal Home Loan Bank stock	430	147
Proceeds from maturities and principal reductions of:		
Available-for-sale investment securities	2,961	1,422
Held-to-maturity investment securities	290	457
Proceeds from sale of:		
Available-for-sale investment securities	3,041	9,110
Equity investment securities	—	2,422
Real estate and repossessed assets acquired	56	60
Premises and equipment	79	—
Net change in loans	(2,268)	(31,711)
Purchase of premises and equipment	(375)	(178)
Net cash used in investing activities	**(21,080)**	**(20,280)**
FINANCING ACTIVITIES		
Net change in demand deposits, savings accounts, and money market accounts	4,843	39,392
Net change in time deposits	(2,881)	(18,722)
Net change in brokered time deposits	—	(640)
Payments on long-term borrowings	(7,770)	(7,384)
Proceeds (Repayment) from subordinated debt offering	(1,235)	500
Proceeds from long-term borrowings	—	6,000
Net proceeds from stock offering and conversion	13,151	—
Purchase of common stock for ESOP	(1,104)	—
Repurchase of common stock	—	(42)
Net cash provided by financing activities	**5,004**	**19,104**
Net change in cash and cash equivalents	(14,645)	(1,200)
Cash and cash equivalents at beginning of period	26,830	13,448
Cash and cash equivalents at end of period	**$ 12,185**	**$ 12,248**
Supplemental Cash Flows Information		
Cash paid during the period for:		
Interest	$ 1,302	$ 2,225
Transfer of loans to foreclosed real estate	67	28

The accompanying notes are an integral part of the condensed consolidated financial statements.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Nature of Operations

Generations Bancorp NY, Inc. ("Generations Bancorp") is a Maryland corporation that was organized in August 2020 as part of the Seneca-Cayuga Bancorp, Inc. ("Seneca-Cayuga") conversion from the mutual holding company structure to a fully public stock holding company structure. Prior to the conversion, Generations Bank was the wholly-owned subsidiary of Seneca-Cayuga, and The Seneca Falls Savings Bank, MHC ("MHC") owned 60.1% of Seneca-Cayuga's common stock. On January 13, 2021, Generations Bancorp sold 1,477,575 of its common stock in a stock offering, (which included 109,450 shares issued to the ESOP) representing the ownership interest of the MHC for gross proceeds of $14.8 million and net proceeds of $13.2 million. The exchange ratio of previously held shares by public shareholders (i.e., shareholders other than the MHC) of Seneca-Cayuga was 0.9980 as applied in the conversion offering. References herein to the "Company" include Generations Bancorp subsequent to the completion of the conversion and Seneca-Cayuga prior to the completion of the conversion.

Generations Bank (the "Bank") is a federal savings bank headquartered in Seneca Falls, New York. We were organized in 1870 and have operated continuously since that time in the northern Finger Lakes Region of New York State which is located in the central to northwestern portion of New York State.

Generations Commercial Bank (the "Commercial Bank") is a New York State chartered limited-purpose commercial bank formed expressly to enable local municipalities to deposit public funds with the Bank in accordance with existing NYS municipal law and is a wholly owned subsidiary of the Bank.

The Bank maintains its executive offices and main retail location in Seneca Falls, New York, with retail offices in Waterloo, Geneva, Auburn, Union Springs, Phelps, Farmington, and Medina, New York. The Bank is a community-oriented savings institution whose business primarily consists of accepting deposits from customers within its market area and investing those funds in loans secured by one- to four-family residential real estate, commercial real estate, business or personal assets and in investment securities.

In addition, Generations Agency, Inc. (the "Agency") offers personal and commercial insurance products through licensed employees in the same market area. The Agency is the Bank's wholly-owned subsidiary.

Emerging Growth Company Status
The Company qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). For as long as the Company is an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies. An emerging growth company may elect to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies, but must make such election when the company is first required to file a registration statement. The Company has elected to use the extended transition period described above and intends to maintain its emerging growth company status as allowed under the JOBS Act.

Interim Financial Statements
The interim condensed consolidated financial statements as of September 30, 2021, and for the three and nine months ended September 30, 2021 and 2020, are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Such adjustments are the only adjustments contained in these unaudited consolidated financial statements. These unaudited condensed consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission, and therefore certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") have been omitted. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2021, or any other period.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Certain prior period data presented in the consolidated financial statements has been reclassified to conform to current year presentation. The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto of the Company for the year ended December 31, 2020 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. Reference is made to the accounting policies of the Company described in the Notes to Financial Statements contained in the Annual Report on Form 10-K for the year ended December 31, 2020.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

2. Accumulated Other Comprehensive Loss

The balances and changes in the components of accumulated other comprehensive loss, net of tax, are as follows:

Three Months Ended September 30, *(In thousands)*	**Unrealized (Losses) Gains on Securities Available-for-Sale**	**Defined Benefit Pension Plan**	**Accumulated Other Comprehensive Loss**
Balance, June 30, 2021	**$ 882**	**$ (2,093)**	**$ (1,211)**
Other comprehensive loss before reclassifications	(276)	—	(276)
Amounts reclassified from AOCI to the income statement	(11)	23	12
Net current-period other comprehensive income (loss)	(287)	23	(264)
Balance, September 30, 2021	**$ 595**	**$ (2,070)**	**$ (1,475)**
Balance, June 30, 2020	$ 1,326	$ (2,267)	$ (941)
Other comprehensive income before reclassifications	124	—	124
Amounts reclassified from AOCI to the income statement	(379)	26	(353)
Net current-period other comprehensive income (loss)	(255)	26	(229)
Balance, September 30, 2020	**$ 1,071**	**$ (2,241)**	**$ (1,170)**

Nine Months Ended September 30, *(In thousands)*	**Unrealized (Losses) Gains on Securities Available-for-Sale**	**Defined Benefit Pension Plan**	**Accumulated Other Comprehensive Loss**
Balance, January 1, 2021	**$ 723**	**$ (2,138)**	**$ (1,415)**
Other comprehensive loss before reclassifications	(119)	—	(119)
Amounts reclassified from AOCI to the income statement	(9)	68	59
Net current-period other comprehensive income (loss)	(128)	68	(60)
Balance, September 30, 2021	**$ 595**	**$ (2,070)**	**$ (1,475)**
Balance, January 1, 2020	**$ 658**	**$ (2,320)**	**$ (1,662)**
Other comprehensive income before reclassifications	792	—	792
Amounts reclassified from AOCI to the income statement	(379)	79	(300)
Net current-period other comprehensive income	413	79	492
Balance, September 30, 2020	**$ 1,071**	**$ (2,241)**	**$ (1,170)**

Table of Contents

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss:

(In thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Affected Line Item in the Statement of Income
Available-for-sale securities:					
Realized gain on sale of securities	$ (13)	$ (480)	$ (11)	$ (480)	Net gain on sale of securities
Tax effect	2	101	2	101	Income tax expense
	$ (11)	$ (379)	$ (9)	$ (379)	Net income
Defined benefit pension plan:					
Retirement plan net losses recognized in net periodic pension cost	$ 28	$ 33	$ 85	$ 100	Compensation and benefits
Tax effect	(5)	(7)	(17)	(21)	Income tax benefit
	$ 23	$ 26	$ 68	$ 79	Net income

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

3. Earnings Per Common Share

Basic earnings per common share is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. The weighted-average number of common shares outstanding was 2,348,000 and 2,458,000[(1)], for the three months ended September 30, 2021 and 2020, and 2,352,000 and 2,456,000[(1)] for the nine months ended September 30, 2021 and 2020. The Company has not granted any restricted stock awards or stock options and had no potentially dilutive common stock equivalents. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for purposes of calculating basic earnings per common share until they are committed to be released.

4. Securities

Investments in securities available-for-sale, held-to-maturity and equity are summarized as follows:

	September 30, 2021			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed - US agency and GSEs	$ 34	$ 1	$ —	$ 35
Corporate bonds	19,518	391	(382)	19,527
State and political subdivisions	16,539	839	(94)	17,284
Total securities available-for-sale	$ 36,091	$ 1,231	$ (476)	$ 36,846
Securities held-to-maturity:				
Residential mortgage-backed - US agency and GSEs	$ 1,184	$ 27	$ (3)	$ 1,208
Total securities held-to-maturity	$ 1,184	$ 27	$ (3)	$ 1,208
Equity securities:				
Large cap equity mutual fund	$ 41			$ 41
Other mutual funds	284			284
Total of equity securities	$ 325			$ 325

[1] Shares amounts related to the periods prior to the January 13, 2021 closing of the conversion offering have been restated to give retroactive recognition to the 0.9980 exchange ration applied in the conversion offering (see Note 1)

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(in thousands)	December 31, 2020 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed - US agency and GSEs	$ 39	$ 1	$ (1)	$ 39
State and political subdivisions	16,971	917	(1)	17,887
Total securities available-for-sale	$ 17,010	$ 918	$ (2)	$ 17,926
Securities held-to-maturity:				
Residential mortgage-backed - US agency and GSEs	$ 1,480	$ 33	$ (3)	$ 1,510
Total securities held-to-maturity	$ 1,480	$ 33	$ (3)	$ 1,510
Equity securities:				
Large cap equity mutual fund	$ 35			$ 35
Other mutual funds	626			626
Total of equity securities	$ 661			$ 661

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, is as follows:

	September 30, 2021					
	12 Months or Less		More than 12 Months		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale:						
Residential mortgage-backed - US agency and GSEs(1)	$ —	$ —	$ 24	$ —	$ 24	$ —
Corporate bonds	7,228	(382)	—	—	7,228	(382)
State and political subdivisions	4,754	(94)	—	—	4,754	(94)
Total securities available-for-sale	$ 11,982	$ (476)	$ 24	$ —	$ 12,006	$ (476)
Securities held-to-maturity:						
Residential mortgage-backed - US agency and GSEs	$ —	$ —	$ 170	$ (3)	$ 170	$ (3)
Total securities held-to-maturity	$ —	$ —	$ 170	$ (3)	$ 170	$ (3)

(1) Aggregate unrealized loss position is less than $1,000.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	December 31, 2020					
	12 Months or Less		More than 12 Months		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale:						
Residential mortgage-backed - US agency and GSEs	$ 24	$ (1)	$ 2	$ —	$ 26	$ (1)
State and political subdivisions	1,066	(1)	—	—	1,066	(1)
Total securities available-for-sale	$ 1,090	$ (2)	$ 2	$ —	$ 1,092	$ (2)
Securities held-to-maturity:						
Residential mortgage-backed - US agency and GSEs	$ 150	$ (1)	$ 97	$ (1)	$ 247	$ (2)
Total securities held-to-maturity	$ 150	$ (1)	$ 97	$ (1)	$ 247	$ (2)

The Company conducts a formal review of investment securities on a quarterly basis for the presence of other-than-temporary impairment ("OTTI"). Management assesses whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the statement of financial condition date. Under these circumstances, OTTI is considered to have occurred (1) if we intend to sell the security; (2) if it is "more likely than not" we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. Credit-related OTTI is recognized in earnings while non-credit-related OTTI on securities not expected to be sold is recognized in other comprehensive income. Non-credit-related OTTI is based on other factors, including illiquidity. Presentation of OTTI is made in the consolidated statement of operations on a gross basis, including both the portion recognized in earnings as well as the portion recorded in other comprehensive income.

Eleven government agency and government sponsored enterprise ("GSE") residential mortgage-backed security holdings have an unrealized loss as of September 30, 2021. The securities were issued by the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") and the Government National Mortgage Association ("GNMA"). The government-backed securities that have unrealized losses are immaterial, with each of these securities having value deficiencies of $800 or less.

There are 21 bond issues held by the Bank that have an unrealized loss as of September 30, 2021. The bonds are issued by well-established municipalities and corporate entities with semi-annual interest payments. All interest payments have historically been made timely. The value of the bonds held is closely correlated with long-term interest rates, and as interest rates increase, the bond values decrease. We anticipate full recovery of our investment over time and have no plans to sell the securities in the near term.

None of the securities demonstrate a steadily increasing loss ratio and values fluctuate in reaction to the uncertainty of the economy. Principal and interest continue to be received on all securities as anticipated. The Company has the ability and intent to hold the securities through maturity or recovery of its amortized cost basis. With the government guarantees in place, management does not expect losses on these securities. No OTTI is deemed present on these securities.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following is a summary of the amortized cost and estimated fair values of debt securities at September 30, 2021, by remaining term to contractual maturity other than mortgage-backed securities. Actual maturities may differ from these amounts because certain issuers have the right to call or redeem their obligations prior to contractual maturity. The contractual maturities of mortgage-backed securities generally exceed 20 years; however, the effective average life is expected to be substantially shorter due to anticipated repayments and prepayments.

	September 30, 2021			
	Securities Available-for-Sale		Securities Held-to-Maturity	
(in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 10	$ 10	$ —	$ —
Due over one year through five years	2,219	2,243	—	—
Due over five through ten years	5,270	5,407	—	—
Due after ten years	28,558	29,151	—	—
	36,057	36,811	—	—
Residential mortgage-backed securities	34	35	1,184	1,208
Total	$ 36,091	$ 36,846	$ 1,184	$ 1,208

Gross realized gains on sales and redemptions of available-for-sale securities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2021	2020	2021	2020
	(unaudited)	*(unaudited)*		
Realized gains	$ 13	$ 480	$ 11	$ 480
	$ 13	$ 480	$ 11	$ 480

Gains and losses on the sales of securities are recognized in income when sold, using the specific identification method, on a trade date basis. Securities with a fair value of $5,386,183 and $6,969,058 were pledged to collateralize certain deposit arrangements at September 30, 2021 and December 31, 2020 respectively.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

5. Loans Receivable

Major classifications of loans are as follows:

(In thousands)	September 30, 2021	December 31, 2020
Originated Loans:		
Residential mortgages:		
One- to four-family	$ 105,206	$ 113,254
Construction	193	—
	105,399	113,254
Commercial loans:		
Real estate - nonresidential	20,436	22,812
Multi-family	403	5,125
Commercial business	14,987	20,178
	35,826	48,115
Consumer:		
Home equity and junior liens	9,022	9,981
Manufactured homes	48,234	44,347
Automobile	22,940	21,469
Student	2,216	2,259
Recreational vehicle	30,185	14,557
Other consumer	5,731	4,081
	118,328	96,694
Total originated loans	259,553	258,063
Net deferred loan costs	16,197	11,854
Less allowance for loan losses	(2,071)	(1,821)
Net originated loans	$ 273,679	$ 268,096

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(In thousands)	September 30, 2021	December 31, 2020
Acquired Loans:		
Residential mortgages:		
One- to four-family	$ 10,976	$ 14,102
	10,976	14,102
Commercial loans:		
Real estate - nonresidential	1,790	1,942
Commercial business	171	327
	1,961	2,269
Consumer:		
Home equity and junior liens	1,070	1,406
Other consumer	98	190
	1,168	1,596
Total acquired loans	14,105	17,967
Net deferred loan costs	(61)	(67)
Fair value credit and yield adjustment	(304)	(356)
Net acquired loans	$ 13,740	$ 17,544

(In thousands)	September 30, 2021	December 31, 2020
Total Loans:		
Residential mortgages:		
One- to four-family	$ 116,182	$ 127,356
Construction	193	—
	116,375	127,356
Commercial loans:		
Real estate - nonresidential	22,226	24,754
Multi-family	403	5,125
Commercial business	15,158	20,505
	37,787	50,384
Consumer:		
Home equity and junior liens	10,092	11,387
Manufactured homes	48,234	44,347
Automobile	22,940	21,469
Student	2,216	2,259
Recreational vehicle	30,185	14,557
Other consumer	5,829	4,271
	119,496	98,290
Total Loans	273,658	276,030
Net deferred loan costs	16,136	11,787
Fair value credit and yield adjustment	(304)	(356)
Less allowance for loan losses	(2,071)	(1,821)
Loans receivable, net	$ 287,419	$ 285,640

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The Company grants residential mortgage, commercial and consumer loans to customers throughout the Finger Lakes region of New York State, which includes parts of Cayuga, Seneca, Wayne, Yates, Ontario and Orleans Counties. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' abilities to honor their contracts is dependent upon the counties' employment and economic conditions. To further diversify the loan portfolio, the Company also purchases loans that have been originated outside of the region. High quality automobile loans, originated in the Northeastern United States, are purchased regularly from a Connecticut based company. In 2019, the Company also began to purchase modular home loans originated throughout the United States, who then services the loans for the Company. In 2020, the Company began to purchase automobile and recreational vehicle loans originated in New York State.

Loan Origination / Risk Management

The Company has lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by frequently providing management with reports related to loan production, loan quality, loan delinquencies, non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

The loan portfolio is segregated into risk rating categories based on the borrower's overall financial condition, repayment sources, guarantors, and value of collateral, if appropriate. The risk ratings are evaluated at least annually for commercial loans unless credit deficiencies arise, such as delinquent loan payments, for commercial, residential mortgage or consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful, and loss. Loans classified as loss are considered uncollectible and are charged to the allowance for loan loss. Loans not classified are rated as pass.

The following table presents the classes of the loan portfolio summarized by the pass rating and the classified ratings of special mention, substandard, and doubtful within the Company's internal risk rating system:

	September 30, 2021				
(In thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Originated Loans:					
Residential mortgages:					
One- to four-family	$ 101,672	$ 1,325	$ 2,209	$ —	$ 105,206
Construction	193	—	—	—	193
	101,865	1,325	2,209	—	105,399
Commercial loans:					
Real estate - nonresidential	13,531	4,719	2,186	—	20,436
Multi-family	403	—	—	—	403
Commercial business	12,453	1,168	1,366	—	14,987
	26,387	5,887	3,552	—	35,826
Consumer:					
Home equity and junior liens	8,942	38	42	—	9,022
Manufactured homes	48,234	—	—	—	48,234
Automobile	22,911	6	23	—	22,940
Student	2,216	—	—	—	2,216
Recreational vehicle	30,094	58	33	—	30,185
Other consumer	5,731	—	—	—	5,731
	118,128	102	98	—	118,328
Total originated loans	$ 246,380	$ 7,314	$ 5,859	$ —	$ 259,553

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(In thousands)	September 30, 2021 Pass	Special Mention	Substandard	Doubtful	Total
Acquired Loans:					
Residential mortgages:					
One- to four-family	$ 10,738	$ 28	$ 210	$ —	$ 10,976
	10,738	28	210	—	10,976
Commercial loans:					
Real estate - nonresidential	1,790	—	—	—	1,790
Commercial business	171	—	—	—	171
	1,961	—	—	—	1,961
Consumer:					
Home equity and junior liens	1,032	—	38	—	1,070
Other consumer	98	—	—	—	98
	1,130	—	38	—	1,168
Total acquired loans	$ 13,829	$ 28	$ 248	$ —	$ 14,105

(In thousands)	September 30, 2021 Pass	Special Mention	Substandard	Doubtful	Total
Total Loans:					
Residential mortgages:					
One- to four-family	$ 112,410	$ 1,353	$ 2,419	$ —	$ 116,182
Construction	193	—	—	—	193
	112,603	1,353	2,419	—	116,375
Commercial loans:					
Real estate - nonresidential	15,321	4,719	2,186	—	22,226
Multi-family	403	—	—	—	403
Commercial business	12,624	1,168	1,366	—	15,158
	28,348	5,887	3,552	—	37,787
Consumer:					
Home equity and junior liens	9,974	38	80	—	10,092
Manufactured homes	48,234	—	—	—	48,234
Automobile	22,911	6	23	—	22,940
Student	2,216	—	—	—	2,216
Recreational vehicle	30,094	58	33	—	30,185
Other consumer	5,829	—	—	—	5,829
	119,258	102	136	—	119,496
Total loans	$ 260,209	$ 7,342	$ 6,107	$ —	$ 273,658

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(In thousands)	December 31, 2020 Pass	Special Mention	Substandard	Doubtful	Total
Originated Loans:					
Residential mortgages:					
One- to four-family	$ 109,752	$ 627	$ 2,875	$ —	$ 113,254
	109,752	627	2,875	—	113,254
Commercial loans:					
Real estate - nonresidential	15,597	4,433	2,782	—	22,812
Multi-family	5,083	—	42	—	5,125
Commercial business	17,009	842	2,327	—	20,178
	37,689	5,275	5,151	—	48,115
Consumer:					
Home equity and junior liens	9,923	—	58	—	9,981
Manufactured homes	44,272	—	75	—	44,347
Automobile	21,432	4	33	—	21,469
Student	2,259	—	—	—	2,259
Recreational vehicle	14,527	30	—	—	14,557
Other consumer	4,046	4	31	—	4,081
	96,459	38	197	—	96,694
Total originated loans	$ 243,900	$ 5,940	$ 8,223	$ —	$ 258,063

(In thousands)	December 31, 2020 Pass	Special Mention	Substandard	Doubtful	Total
Acquired Loans:					
Residential mortgages:					
One- to four-family	$ 13,669	$ 63	$ 370	$ —	$ 14,102
	13,669	63	370	—	14,102
Commercial loans:					
Real estate - nonresidential	1,942	—	—	—	1,942
Commercial business	327	—	—	—	327
	2,269	—	—	—	2,269
Consumer:					
Home equity and junior liens	1,362	—	44	—	1,406
Other consumer	190	—	—	—	190
	1,552	—	44	—	1,596
Total acquired loans	$ 17,490	$ 63	$ 414	$ —	$ 17,967

	December 31, 2020				
(In thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Total Loans:					
Residential mortgages:					
One- to four-family	$ 123,421	$ 690	$ 3,245	$ —	$ 127,356
	123,421	690	3,245	—	127,356
Commercial loans:					
Real estate - nonresidential	17,539	4,433	2,782	—	24,754
Multi-family	5,083	—	42	—	5,125
Commercial business	17,336	842	2,327	—	20,505
	39,958	5,275	5,151	—	50,384
Consumer:					
Home equity and junior liens	11,285	—	102	—	11,387
Manufactured homes	44,272	—	75	—	44,347
Automobile	21,432	4	33	—	21,469
Student	2,259	—	—	—	2,259
Recreational vehicle	14,527	30	—	—	14,557
Other consumer	4,236	4	31	—	4,271
	98,011	38	241	—	98,290
Total loans	$ 261,390	$ 6,003	$ 8,637	$ —	$ 276,030

Management has reviewed its loan portfolio and determined that, to the best of its knowledge, little or no exposure exists to sub-prime or other high-risk residential mortgages. The Company is not in the practice of originating these types of loans.

Non-accrual and Past Due Loans

Loans are considered past due if the required principal and interest payments have not been received within thirty days of the payment due date.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan may be 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 interest is reversed and charged to interest income. Interest received on non-accrual loans, including impaired loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Non-accrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification.

When future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a non-accrual loan had been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash interest receipts in excess of that amount are recorded as recoveries to allowance for loan losses until prior charge-offs have been fully recovered.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

An age analysis of past due loans, segregated by class of loans, as are as follows:

	September 30, 2021					
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans Current	Total Loans Receivable
Originated Loans:						
Residential mortgage loans:						
One- to four-family	$ 2,292	$ 587	$ 2,209	$ 5,088	$ 100,118	$ 105,206
Construction	—	—	—	—	193	193
	2,292	587	2,209	5,088	100,311	105,399
Commercial loans:						
Real estate - nonresidential	63	—	604	667	19,769	20,436
Multi-family	—	—	—	—	403	403
Commercial business	9	41	502	552	14,435	14,987
	72	41	1,106	1,219	34,607	35,826
Consumer loans:						
Home equity and junior liens	88	112	42	242	8,780	9,022
Manufactured homes	124	220	—	344	47,890	48,234
Automobile	282	39	23	344	22,596	22,940
Student	—	—	—	—	2,216	2,216
Recreational vehicle	268	58	33	359	29,826	30,185
Other consumer	31	—	—	31	5,700	5,731
	793	429	98	1,320	117,008	118,328
Total originated loans	$ 3,157	$ 1,057	$ 3,413	$ 7,627	$ 251,926	$ 259,553

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(In thousands)	September 30, 2021 30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans Current	Total Loans Receivable
Acquired Loans:						
Residential mortgage loans:						
One- to four-family	$ 162	$ 96	$ 191	$ 449	$ 10,527	$ 10,976
	162	96	191	449	10,527	10,976
Commercial loans:						
Real estate - nonresidential	—	—	—	—	1,790	1,790
Commercial business	—	—	—	—	171	171
	—	—	—	—	1,961	1,961
Consumer loans:						
Home equity and junior liens	—	—	57	57	1,013	1,070
Other consumer	—	—	—	—	98	98
	—	—	57	57	1,111	1,168
Total acquired loans	$ 162	$ 96	$ 248	$ 506	$ 13,599	$ 14,105

(In thousands)	September 30, 2021 30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans Current	Total Loans Receivable
Total Loans:						
Residential mortgage loans:						
One- to four-family	$ 2,454	$ 683	$ 2,400	$ 5,537	$ 110,645	$ 116,182
Construction	—	—	—	—	193	193
	2,454	683	2,400	5,537	110,838	116,375
Commercial loans:						
Real estate - nonresidential	63	—	604	667	21,559	22,226
Multi-family	—	—	—	—	403	403
Commercial business	9	41	502	552	14,606	15,158
	72	41	1,106	1,219	36,568	37,787
Consumer loans:						
Home equity and junior liens	88	112	99	299	9,793	10,092
Manufactured homes	124	220	—	344	47,890	48,234
Automobile	282	39	23	344	22,596	22,940
Student	—	—	—	—	2,216	2,216
Recreational vehicle	268	58	33	359	29,826	30,185
Other consumer	31	—	—	31	5,798	5,829
	793	429	155	1,377	118,119	119,496
Total loans	$ 3,319	$ 1,153	$ 3,661	$ 8,133	$ 265,525	$ 273,658

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(In thousands)	December 31, 2020 30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans Current	Total Loans Receivable
Originated Loans:						
Residential mortgage loans:						
One- to four-family	$ 2,345	$ 691	$ 2,875	$ 5,911	$ 107,343	$ 113,254
	2,345	691	2,875	5,911	107,343	113,254
Commercial loans:						
Real estate - nonresidential	66	66	1,103	1,235	21,577	22,812
Multi-family	—	—	42	42	5,083	5,125
Commercial business	139	—	688	827	19,351	20,178
	205	66	1,833	2,104	46,011	48,115
Consumer loans:						
Home equity and junior liens	92	23	58	173	9,808	9,981
Manufactured homes	944	440	75	1,459	42,888	44,347
Automobile	188	21	33	242	21,227	21,469
Student	—	—	—	—	2,259	2,259
Recreational vehicle	229	30	—	259	14,298	14,557
Other consumer	3	4	29	36	4,045	4,081
	1,456	518	195	2,169	94,525	96,694
Total originated loans	$ 4,006	$ 1,275	$ 4,903	$ 10,184	$ 247,879	$ 258,063

(In thousands)	December 31, 2020 30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans Current	Total Loans Receivable
Acquired Loans:						
Residential mortgage loans:						
One- to four-family	$ 223	$ 48	$ 370	$ 641	$ 13,461	$ 14,102
	223	48	370	641	13,461	14,102
Commercial loans:						
Real estate - nonresidential	—	—	—	—	1,942	1,942
Commercial business	—	15	—	15	312	327
Other commercial and industrial	—	15	—	15	2,254	2,269
Consumer loans:	46	6	44	96	1,310	1,406
Home equity and junior liens	—	—	2	2	188	190
Other consumer	46	6	46	98	1,498	1,596
	$ 269	$ 69	$ 416	$ 754	$ 17,213	$ 17,967

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	December 31, 2020					
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans Current	Total Loans Receivable
Total Loans:						
Residential mortgage loans:						
One- to four-family	$ 2,568	$ 739	$ 3,245	$ 6,552	$ 120,804	$ 127,356
	2,568	739	3,245	6,552	120,804	127,356
Commercial loans:						
Real estate - nonresidential	66	66	1,103	1,235	23,519	24,754
Multi-family	—	—	42	42	5,083	5,125
Commercial business	139	15	688	842	19,663	20,505
	205	81	1,833	2,119	48,265	50,384
Consumer loans:						
Home equity and junior liens	138	29	102	269	11,118	11,387
Manufactured homes	944	440	75	1,459	42,888	44,347
Automobile	188	21	33	242	21,227	21,469
Student	—	—	—	—	2,259	2,259
Recreational vehicle	229	30	—	259	14,298	14,557
Other consumer	3	4	31	38	4,233	4,271
	1,502	524	241	2,267	96,023	98,290
Total loans	$ 4,275	$ 1,344	$ 5,319	$ 10,938	$ 265,092	$ 276,030

Non-accrual loans, segregated by class of loan, were as follows:

(In thousands)	September 30, 2021	December 31, 2020
Residential mortgage loans:		
One- to four-family	$ 2,400	$ 3,245
	2,400	3,245
Commercial loans:		
Real estate - nonresidential	604	1,103
Multi-family	—	42
Commercial business	502	688
	1,106	1,833
Consumer loans:		
Home equity and junior liens	99	102
Manufactured homes	—	75
Automobile	23	33
Recreational vehicle	33	—
Other consumer	—	31
	155	241
Total non-accrual loans	$ 3,661	$ 5,319

There were no loans past due more than ninety days and still accruing interest at September 30, 2021 and December 31, 2020.

Troubled Debt Restructurings

The Company is required to disclose certain activities related to Troubled Debt Restructurings ("TDR") in accordance with accounting guidance. Certain loans have been modified in a TDR where economic concessions have been granted to a borrower who is experiencing, or is expected to experience, financial difficulties. These economic concessions could include a reduction in the loan interest rate, extension of payment terms, reduction of principal amortization, or other actions that the Company would not otherwise consider for a new loan with similar risk characteristics. The recorded investment for each TDR loan is determined by the outstanding balance less the allowance associated with the loan.

At December 31, 2020, the Company had nine loans, with an outstanding balance of $2.5 million, in the portfolio that had been modified by making concessions to maturity dates and, in some cases, lowering the interest rate from the original contract. Each modification was done to alleviate the borrowers' financial difficulties and keep the collateral from repossession when the borrower met the eligibility criteria. One of the outstanding TDRs was in non-accrual status due to delinquency greater than 90 days.

At September 30, 2021, there were 16 TDR loans totaling $2.8 million. There are no TDRs in non-accrual status due to delinquency greater than 90 days. All of the TDR loans continue to accrue interest.

Impaired Loans

A loan is considered impaired when based on current information and events it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower including the length of the delay, the 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 loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

The following table summarizes impaired loans information by portfolio class:

	September 30, 2021		
(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
One- to four-family residential mortgages	$ 2,062	$ 2,133	$ —
Commercial real estate - nonresidential	604	954	—
Commercial business	73	73	—
Home equity and junior liens	80	80	—
With an allowance recorded:			
One- to four-family residential mortgages	263	263	14
Commercial business	396	396	183
Total:			
One- to four-family residential mortgages	2,325	2,396	14
Commercial real estate - nonresidential	604	954	—
Commercial business	469	469	183
Home equity and junior liens	80	80	—
Other consumer	—	—	—
	$ 3,478	$ 3,899	$ 197

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(In thousands)	December 31, 2020 Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
One- to four-family residential mortgages	$ 2,836	$ 2,937	$ —
Commercial real estate - nonresidential	1,198	1,548	—
Commercial business	782	782	—
Home equity and junior liens	109	109	—
With an allowance recorded:			
One- to four-family residential mortgages	429	429	21
Multi-family	42	42	7
Commercial business	713	713	265
Automobile	41	41	10
Other consumer	2	2	2
Total:			
One- to four-family residential mortgages	3,265	3,366	21
Commercial real estate - nonresidential	1,198	1,548	—
Multi-family	42	42	7
Commercial business	1,495	1,495	265
Home equity and junior liens	109	109	—
Automobile	41	41	10
Other consumer	2	2	2
	$ 6,152	$ 6,603	$ 305

The following table presents the average recorded investment in impaired loans:

(In thousands)	Three Months Ended September 30, 2021	2020	Nine Months Ended September 30, 2021	2020
One- to four-family residential mortgages	$ 2,397	$ 2,642	$ 2,412	$ 2,652
Commercial real estate - nonresidential	954	6,907	954	913
Commercial business	469	1,543	471	1,601
Home equity and junior liens	81	72	81	73
Automobile	—	46	—	48
	3,901	$ 11,210	3,918	$ 5,287

The following table presents interest income recognized on impaired loans:

(In thousands)	Three Months Ended September 30, 2021	2020	Nine Months Ended September 30, 2021	2020
One- to four-family residential mortgages	$ 13	$ 15	$ 56	$ 61
Commercial real estate - nonresidential	—	4	1	14
Commercial business	—	17	1	43
Home equity and junior liens	—	2	2	4
Automobile	—	1	—	3
	$ 13	$ 39	$ 60	$ 125

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Income recognized on a cash basis was not materially different than interest income recognized on an accrual basis.

6. Allowance for Loan Loss

Changes in the allowance for loan losses and information pertaining to the allocation of the allowance for loan losses and balances of the allowance for loan losses and loans receivable based on individual and collective impairment evaluation by loan portfolio class are summarized as follows:

	Three Months Ended September 30, 2021					
(In thousands)	One- to four-family residential	Construction residential mortgage	Commercial real estate nonresidential	Commercial real estate multi-family	Construction commercial	Commercial business
Allowance for loan losses:						
Beginning Balance	$ 611	$ —	$ 376	$ 2	$ —	$ 563
Charge-offs	(40)	—	(2)	—	—	—
Recoveries	1	—	—	—	—	—
Provision (credit) for loan losses	180	—	51	1	—	(94)
Ending balance	$ 752	$ —	$ 425	$ 3	$ —	$ 469

	Three Months Ended September 30, 2021 (cont'd)							
(In thousands)	Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
Allowance for loan losses:								
Beginning Balance	$ 46	$ 82	$ 143	$ 69	$ —	$ 84	$ —	$ 1,976
Charge-offs	—	—	(1)	—	—	(9)	—	(52)
Recoveries	—	—	9	1	—	1	—	12
Provision (credit) for loan losses	(17)	11	(6)	(2)	—	11	—	135
Ending balance	$ 29	$ 93	$ 145	$ 68	$ —	$ 87	$ —	$ 2,071

	Three Months Ended September 30, 2020					
(In thousands)	One- to four-family residential	Construction residential mortgage	Commercial real estate nonresidential	Commercial real estate multi-family	Construction commercial	Commercial business
Allowance for loan losses:						
Beginning Balance	$ 549	$ 1	$ 509	$ 41	$ —	$ 380
Charge-offs	—	—	(48)	—	—	—
Recoveries	—	—	—	5	—	—
Provision (credit) for loan losses	44	(1)	10	(27)	—	174
Ending balance	$ 593	$ —	$ 471	$ 19	$ —	$ 554

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	Three Months Ended September 30, 2020 (cont'd)							
(In thousands)	Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
Allowance for loan losses:								
Beginning Balance	$ 38	$ —	$ 134	$ 70	$ —	$ 46	$ 228	$ 1,996
Charge-offs	—	—	(15)	—	—	—	—	(63)
Recoveries	—	—	27	2	2	(3)	—	33
Provision (credit) for loan losses	(12)	69	(13)	86	(2)	16	(194)	150
Ending balance	$ 26	$ 69	$ 133	$ 158	$ —	$ 59	$ 34	$ 2,116

	Nine Months Ended September 30, 2021					
(In thousands)	One- to four-family residential	Construction residential mortgage	Commercial real estate nonresidential	Commercial real estate multi-family	Construction commercial	Commercial business
Allowance for loan losses:						
Beginning Balance	$ 457	$ —	$ 319	$ 26	$ —	$ 617
Charge-offs	(117)	—	(53)	—	—	(17)
Recoveries	3	—	16	12	—	7
Provision (credit) for loan losses	409	—	143	(35)	—	(138)
Ending balance	$ 752	$ —	$ 425	$ 3	$ —	$ 469
Ending balance: related to loans individually evaluated for impairment	$ 14	$ —	$ —	$ —	$ —	$ 183
Ending balance: related to loans collectively evaluated for impairment	$ 738	$ —	$ 425	$ 3	$ —	$ 286
Loans receivable:						
Ending balance	$ 116,182	$ 193	$ 22,226	$ 403	$ —	$ 15,158
Ending balance: individually evaluated for impairment	$ 2,325	$ —	$ 604	$ —	$ —	$ 469
Ending balance: collectively evaluated for impairment	$ 113,857	$ 193	$ 21,622	$ 403	$ —	$ 14,689

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	Nine Months Ended September 30, 2021 (cont'd)							
(In thousands)	Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
Allowance for loan losses:								
Beginning Balance	$ 46	$ 76	$ 127	$ 69	$ —	$ 84	$ —	$ 1,821
Charge-offs	(2)	—	(7)	—	—	(45)	—	(241)
Recoveries	—	—	34	2	7	5	—	86
Provision (credit) for loan losses	(15)	17	(9)	(3)	(7)	43	—	405
Ending balance	$ 29	$ 93	$ 145	$ 68	$ —	$ 87	$ —	$ 2,071
Ending balance: related to loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 197
Ending balance: related to loans collectively evaluated for impairment	$ 29	$ 93	$ 145	$ 68	$ —	$ 87	$ —	$ 1,874
Loans receivable:								
Ending balance	$ 10,092	$ 48,234	$ 22,940	$ 2,216	$ 30,185	$ 5,829	$ —	$ 273,658
Ending balance: individually evaluated for impairment	$ 80	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,478
Ending balance: collectively evaluated for impairment	$ 10,012	$ 48,234	$ 22,940	$ 2,216	$ 30,185	$ 5,829	$ —	$ 270,180

	Nine Months Ended September 30, 2020					
(In thousands)	One- to four-family residential	Construction residential mortgage	Commercial real estate nonresidential	Commercial real estate multi-family	Construction commercial	Commercial business
Allowance for loan losses:						
Beginning Balance	$ 375	$ 2	$ 421	$ 17	$ —	$ 527
Charge-offs	(8)	—	(48)	—	—	—
Recoveries	2	—	—	14	—	140
Provision (credit) for loan losses	224	(2)	98	(12)	—	(113)
Ending balance	$ 593	$ —	$ 471	$ 19	$ —	$ 554
Ending balance: related to loans individually evaluated for impairment	$ 81	$ —	$ 276	$ —	$ —	$ 256
Ending balance: related to loans collectively evaluated for impairment	$ 512	$ —	$ 195	$ 19	$ —	$ 298
Loans receivable:						
Ending balance	$ 131,070	$ —	$ 27,313	$ 5,158	$ 92	$ 27,386
Ending balance: individually evaluated for impairment	$ 2,639	$ —	$ 906	$ —	$ —	$ 1,546
Ending balance: collectively evaluated for impairment	$ 128,431	$ —	$ 26,407	$ 5,158	$ 92	$ 25,840

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(In thousands)	Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
	Nine Months Ended September 30, 2020 (cont'd)							
Allowance for loan losses:								
Beginning Balance	$ 50	$ —	$ 142	$ 69	$ —	$ 35	$ 22	$ 1,660
Charge-offs	—	—	(44)	—	(14)	(3)	—	(117)
Recoveries	12	—	62	2	2	9	—	243
Provision (credit) for loan losses	(36)	69	(27)	87	12	18	12	330
Ending balance	$ 26	$ 69	$ 133	$ 158	$ —	$ 59	$ 34	$ 2,116
Ending balance: related to loans individually evaluated for impairment	$ —	$ —	$ 11	$ —	$ —	$ —	$ —	$ 624
Ending balance: related to loans collectively evaluated for impairment	$ 26	$ 69	$ 122	$ 158	$ —	$ 59	$ 34	$ 1,492
Loans receivable:								
Ending balance	$ 11,527	$ 38,072	$ 22,004	$ 2,267	$ 13,547	$ 4,284	$ —	$ 282,720
Ending balance: individually evaluated for impairment	$ 72	$ —	$ 45	$ —	$ —	$ —	$ —	$ 5,208
Ending balance: collectively evaluated for impairment	$ 11,455	$ 38,072	$ 21,959	$ 2,267	$ 13,547	$ 4,284	$ —	$ 277,512

(In thousands)	One- to four-family residential	Construction residential mortgage	Commercial real estate nonresidential	Commercial real estate multi-family	Construction commercial	Commercial business
	Year Ended December 31, 2020					
Allowance for loan losses:						
Beginning Balance	$ 375	$ 2	$ 421	$ 17	$ —	$ 527
Charge-offs	(89)	—	(398)	—	—	(15)
Recoveries	4	—	—	19	—	140
Provision (credit) for loan losses	167	(2)	296	(10)	—	(35)
Ending balance	$ 457	$ —	$ 319	$ 26	$ —	$ 617
Ending balance: related to loans individually evaluated for impairment	$ 21	$ —	$ —	$ 7	$ —	$ 265
Ending balance: related to loans collectively evaluated for impairment	$ 436	$ —	$ 319	$ 19	$ —	$ 352
Loans receivable:						
Ending balance	$ 127,356	$ —	$ 24,754	$ 5,125	$ —	$ 20,505
Ending balance: individually evaluated for impairment	$ 3,265	$ —	$ 1,198	$ 42	$ —	$ 1,495
Ending balance: collectively evaluated for impairment	$ 124,091	$ —	$ 23,556	$ 5,083	$ —	$ 19,010

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	Year Ended December 31, 2020 (cont'd)							
(In thousands)	Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
Allowance for loan losses:								
Beginning Balance	$ 50	$ —	$ 142	$ 69	$ —	$ 35	$ 22	$ 1,660
Charge-offs	(9)	—	(54)	—	(14)	(4)	—	(583)
Recoveries	12	—	71	3	6	9	—	264
Provision (credit) for loan losses	(7)	76	(32)	(3)	8	44	(22)	480
Ending balance	$ 46	$ 76	$ 127	$ 69	$ —	$ 84	$ —	$ 1,821
Ending balance: related to loans individually evaluated for impairment	$ —	$ —	$ 10	$ —	$ —	$ 2	$ —	$ 305
Ending balance: related to loans collectively evaluated for impairment	$ 46	$ 76	$ 117	$ 69	$ —	$ 82	$ —	$ 1,516
Loans receivable:								
Ending balance	$ 11,387	$ 44,347	$ 21,469	$ 2,259	$ 14,557	$ 4,271	$ —	$ 276,030
Ending balance: individually evaluated for impairment	$ 109	$ —	$ 41	$ —	$ —	$ 2	$ —	$ 6,152
Ending balance: collectively evaluated for impairment	$ 11,278	$ 44,347	$ 21,428	$ 2,259	$ 14,557	$ 4,269	$ —	$ 269,878

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the consolidated statement of financial condition date and is recorded as a reduction of loans. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable is charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Consumer loans not secured by residential real estate are generally charged off no later than 90 days past due on a contractual basis, earlier in the event of bankruptcy, or if there is an amount deemed uncollectible. Because all identified losses are immediately charged off, no portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying amount of that loan. The general component covers pools of loans by loan class including commercial loans not considered impaired, automobile loans identified in pools by product and underwriting standards, as well as smaller balance homogeneous consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative risk factors. These qualitative risk factors include:

- Asset quality trends
- The trend in loan growth and portfolio mix
- Regional and local economic conditions
- Historical loan loss experience
- Underlying credit quality

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation.

The risk characteristics within the loan portfolio vary depending on the loan segment. Consumer loans generally are repaid from personal sources of income. Risks associated with consumer loans primarily include general economic risks such as declines in the local economy creating higher rates of unemployment. Those conditions may also lead to a decline in collateral values should the Company be required to repossess the collateral securing consumer loans. These economic risks also impact the commercial loan segment, however, commercial loans are considered to have greater risk than consumer loans as the primary source of repayment is from the cash flow of the business customer. Loans secured by real estate provide the best collateral protection and thus significantly reduce the inherent risk in the portfolio.

7. Employee Benefit Plans

The Company provides pension benefits for eligible employees through two defined benefit pension plans (the "Plans"). The following tables set forth the changes in the Plans' benefit obligations, fair value of plan assets, and the plans' funded status:

Generations Bank Plan:	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Net periodic expenses recognized in income:				
Service cost	$ 115	$ 103	$ 344	$ 309
Interest cost	105	112	315	336
Expected return on plan assets	(370)	(335)	(1,110)	(1,004)
Amortization of net losses	28	34	85	101
Net periodic pension benefit	$ (122)	$ (86)	$ (366)	$ (258)

Medina Savings and Loan Plan:	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Net periodic expenses recognized in income:				
Service cost	$ 8	$ 7	$ 23	$ 21
Interest cost	33	36	98	107
Expected return on plan assets	(116)	(108)	(348)	(322)
Net periodic pension benefit	$ (75)	$ (65)	$ (227)	$ (194)

8. Regulatory Capital

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 classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain amounts and ratios (set forth in the table below) of total core and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to total adjusted assets (as defined).

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (BASEL III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the BASEL III rules, the Bank must hold a 2.50% capital conservation buffer above the adequately capitalized risk-based capital ratios. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of September 30, 2021 and December 31, 2020, the Bank meets all capital adequacy requirements to which it is subject.

The Bank's actual capital amounts and ratios are as follows:

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be "Well-Capitalized" Under Prompt Corrective Provisions	
(in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of September 30, 2021						
Common Equity Tier 1 Capital	$ 40,753	14.26 %	$ 12,865	4.50 %	$ 18,582	6.50 %
Total Capital (to Risk-Weighted Assets)	$ 42,824	14.98 %	$ 22,870	8.00 %	$ 28,588	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 40,753	14.26 %	$ 17,153	6.00 %	$ 22,870	8.00 %
Tier 1 Capital (to Total Adjusted Assets)	$ 40,753	10.74 %	$ 15,179	4.00 %	$ 18,974	5.00 %
As of December 31, 2020:						
Common Equity Tier 1 Capital	$ 31,942	12.18 %	$ 11,798	4.50 %	$ 17,041	6.50 %
Total Capital (to Risk-Weighted Assets)	$ 33,768	12.88 %	$ 20,974	8.00 %	$ 26,217	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 31,942	12.18 %	$ 15,730	6.00 %	$ 20,974	8.00 %
Tier 1 Capital (to Total Adjusted Assets)	$ 31,942	8.72 %	$ 14,648	4.00 %	$ 18,310	5.00 %

The Company's goal is to maintain a strong capital position, consistent with the risk profile of its subsidiary bank that supports growth and expansion activities while at the same time exceeding regulatory standards. At September 30, 2021 and December 31, 2020, Generations Bank exceeded all regulatory required minimum capital ratios and met the regulatory definition of a "well-capitalized" institution, i.e. Tier 1 Capital (to Total Adjusted Asset) exceeding 5%, a common equity Tier 1 capital ratio exceeding 6.50%, a Tier 1 risk-based capital ratio exceeding 8.00% and a total risk-based capital ratio exceeding 10%.

By letter dated September 10, 2020, based on its supervisory profile, the Office of the Comptroller of the Currency ("OCC") established higher individual minimum capital ratios for Generations Bank. Specifically, effective September 10, 2020, Generations Bank is required to maintain a leverage ratio of 8.0% and a total capital ratio of 12.0%. The individual minimum capital ratios will remain in effect until terminated, modified, or suspended in writing by the OCC.

9. Commitments and Contingencies

Credit Commitments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit, interest rate, or liquidity risk in excess of the amount recognized in the consolidated statements of financial condition. The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amounts of those instruments. The Bank has experienced minimal credit losses to date on its financial instruments with off-balance sheet risk and management does not anticipate any significant losses on its commitments to extend credit outstanding at September 30, 2021.

Financial instruments whose contract amounts represent credit risk consist of the following:

(In thousands)	September 30, 2021	December 31, 2020
Commitments to grant loans	$ 4,905	$ 4,009
Unfunded commitments under lines of credit	15,640	14,823

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. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitment amounts are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held varies but may include residential real estate and income-producing commercial properties. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at September 30, 2021 with fixed interest rates amounted to approximately $5.1 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at September 30, 2021 with variable interest rates amounted to approximately $15.4 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2020 with fixed interest rates amounted to approximately $4.6 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2020 with variable interest rates amounted to approximately $14.2 million.

Unfunded commitments under revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, all letters of credit, when issued have expiration dates. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The Company generally holds collateral and/or personal guarantees supporting these commitments. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payments required under the corresponding guarantees.

Commitments to Originate and Sell one- to four-family Residential Mortgages

The Bank has sold and funded $68.6 million of loans to the Federal Home Loan Bank of New York as part of its mortgage partnership finance program ("MPF Program"), inclusive of USDA loans, to date. The principal outstanding balance on loans sold under the MPF Program is $10.6 million at September 30, 2021. The Bank continues to service loans sold under the MPF Program.

Under the terms of the MPF Program, there is limited recourse to the Bank for loans that do not perform in accordance with the terms of the loan agreement. Each loan that is sold under the program is "credit enhanced" such that the individual loan's rating is raised to "AA," as determined by the Federal Home Loan Bank of New York. The sum of each individual loan's credit enhancement represents the total recourse back to the Bank. The total recourse back to the Bank for loans sold was $2.2 million at September 30, 2021. A portion of the recourse is offset by a "first loss account" to which funds are allocated by the Federal Home Loan Bank of New York annually in January. The balance of the "first loss account" allocated to the Bank is $87,000 at September 30, 2021. In addition, many of the loans sold under the MPF Program have primary mortgage insurance, which reduces the Bank's overall exposure. The potential liability for the recourse is considered when the Bank determines its allowance for loan losses.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Lease Commitments

As part of the Medina Savings and Loan Association merger, the Bank took on the assignment of a non-cancelable operating lease with Wal-Mart East for the space occupied by the Albion retail office. This lease expired on May 31, 2021 and was not renewed and the office was closed on May 7, 2021. Lease expense, since the merger, is included in occupancy expense and was $19,000 and $34,000 for the nine-month periods ended September 30, 2021 and 2020, respectively, and $41,000 for the year ending December 31, 2020.

There are no future minimum lease commitments at September 30, 2021.

10. Revenue from Contracts with Customers

The majority of the Company's revenue-generating transactions are not subject to ASC Topic 606, including revenue generated from financial instruments, such as loans and investment securities, which are presented in our consolidated statements of operations as components of net interest income. All of the Company's revenue from contracts with customers in the scope of Topic 606 is recognized within non-interest income.

The following table presents revenues subject to Topic 606:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2021	2020	2021	2020
Service charges on deposit accounts	$ 149	$ 132	$ 415	$ 443
Debit card interchange and surcharge income	208	218	651	561
Investment services income	—	2	—	86
Insurance commission and fees	172	180	547	586
Loan servicing fees	40	54	99	125
	$ 569	$ 586	$ 1,712	$ 1,801

Service charges on deposit accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as stop payment charges, wire transfers, and official check charges, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance and inactivity fees, which relate primarily to monthly maintenance and servicing, are recognized at the end of the month in which maintenance occurs. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposit accounts are withdrawn from the customer's account balance.

Debit card interchange and surcharge income: The Company earns interchange income from debit cardholder transactions conducted through the MasterCard International Inc. payment network. Additionally, ATM surcharges are also assessed on foreign (non-customer) users who use the Company's ATM network of machines. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and foreign surcharges are a fixed fee per transaction. Both are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Investment services income: Prior to June 30, 2020, the Company earned fees from investment brokerage services provided to its customers by an employee who acted as an agent for a third-party service provider, Cadaret Grant. The Company received commissions from Cadaret Grant on a monthly basis based upon customer activity and balances held for the month. The Company employed the agent that arranged the relationship between the customer and the brokerage service provider. Investment brokerage commissions are presented as gross earnings based on the commission percentage. All related costs are recorded as operating expenses. The Company sold this line of business to a third party at June 30, 2020.

Insurance commissions and fees: Regular commissions are earned upon the effective date of bound insurance coverage. They are paid by the insurance carrier and recorded by the Company through a monthly remittance. Contingent commissions are based on a contract but are dependent, not only on the level of policies bound with the carrier, but also on loss claim levels experienced through the last day of the year, volume growth, or shrinkage. The Agency's business is not considered to be significant to the carriers, and many of our insurance carriers are combined under an umbrella with other independent agents, making the contingent commission earned dependent on a calculation that includes the experience of others. As such, the level of contingent commissions is not readily determinable until it is paid, but does not have a significant impact on the Company's financial results.

Loan servicing fees: The majority of income derived from loans is excluded from the scope of the amended guidance on accounting for revenue from contracts with customers. However, servicing fee revenue is generated in the form of late charges on customer loans. Late fees are transaction-based and are recognized at the point in time that the customer has exceeded the loan payment grace-period and the Company has earned the fee based on loan note. Fees are assessed as a percentage of the past-due loan payment amount.

11. Fair Value Disclosures

Management uses its best judgment in estimating the fair value of the Company's financial assets and liabilities; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial assets and liabilities, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sale transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective reporting dates and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial assets and liabilities subsequent to the respective reporting dates may be different from the amounts reported at each reporting date.

The Company uses fair value measurements to record fair value adjustments to certain financial assets and liabilities and to determine fair value disclosures. The fair value of a financial asset or liability 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 some instances, there may be no quoted market prices for the Company's various financial assets and 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 financial asset or liability.

Fair value measurement guidance established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

> Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets or liabilities.
>
> Level 2: Quoted prices in markets that are not active, or inputs that are observable directly or indirectly, for substantially the full term of the asset or liability.
>
> Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. There have been no changes in valuation techniques during the periods ended September 30, 2021 and December 31, 2020.

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparison between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's assets and liabilities at September 30, 2021 and December 31, 2020.

Cash and due from banks: The carrying amounts of cash and due from banks approximate fair values.

Interest-earning deposits: The carrying amounts of interest-earning term deposits held in banks approximate fair values.

Investment securities: The fair values of trading, available-for-sale, held-to-maturity, and equity securities are obtained from an independent third party and are based on quoted prices on a nationally recognized exchange (Level 1), where available. At this time, only the equity securities qualify as a Level 1 valuation. If quoted prices are not available, fair values are measured by utilizing matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2). Management made no adjustment to the fair value quotes that were received from the independent third party pricing service.

Municipal bonds: The significant unobservable inputs used in the fair value measurement of the Company's municipal bonds are premiums for unrated securities and marketability discounts. Significant increases (decreases) in either of those inputs in isolation would result in a significantly lower (higher) fair value measurement. In general, changes in either of those inputs will not affect the other input.

Federal Home Loan Bank ("FHLB") stock: The carrying value of FHLB stock approximates fair value based on the redemption provisions of the FHLB, resulting in a Level 2 classification. There have been no identified events or changes in circumstances that may have a significant adverse effect on the FHLB stock.

Loans: The fair values of loans, excluding impaired loans, are estimated using discounted cash flow analyses, using market rates at the statement of financial condition date that reflect the credit and interest rate risk inherent in the loans, resulting in a Level 3 classification. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Future cash flows are then discounted using the Bank's weighted average rate on new loans and thus the resulting fair value represents exit pricing. Generally, for variable rate loans that reprice frequently and with no significant changes in credit risk, fair values are based on carrying values.

Impaired loans: Impaired loans are those loans in which the Company has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third party appraisals of the properties or discounted cash flows based upon expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of loan balances less their valuation allowances.

Deposits: The fair values disclosed for demand deposits (e.g., interest and non-interest checking) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts), and are therefore classified as Level 1. Savings and money market account fair values are based on estimated decay rates and current costs. Fair values for fixed rate certificates of deposit, including brokered deposits, are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits. Due to the inputs necessary to calculate the fair value, savings and time deposits are considered Level 3 valuations that estimate exit pricing.

Accrued interest: The carrying amounts of accrued interest receivable and payable approximate fair value, and due to the short-term (30 days or less) nature of the balances, are considered Level 1.

Long-term borrowings: Fair values of FHLB advances are estimated using discounted cash flow analysis, based on quoted prices for new FHLB advances with similar credit risk characteristics, terms and remaining maturity, resulting in a Level 2 classification. These prices obtained from this active market represent a fair value that is deemed to represent the transfer price if the liability were assumed by a third party.

Subordinated debt: The carrying value is deemed to approximate the fair value.

The following table presents a comparison of the carrying amount and estimated fair value of the Company's financial instruments:

	September 30, 2021				
(In thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Financial assets:					
Cash and cash equivalents	$ 12,185	$ 12,185	$ —	$ —	$ 12,185
Securities available-for-sale	36,846	—	33,817	3,029	36,846
Securities held-to-maturity	1,184	—	1,208	—	1,208
Equity securities	325	325	—	—	325
Loans receivable	287,419	—	—	292,759	292,759
FHLB stock	1,562	—	1,562	—	1,562
Accrued interest receivable	1,305	1,305	—	—	1,305
Financial liabilities:					
Deposits	$ 311,508	$ 89,973	$ —	$ 217,485	$ 307,458
Long-term borrowings	19,858	—	25,210	—	25,210
Accrued interest payable	57	57	—	—	57

	December 31, 2020				
(In thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Financial assets:					
Cash and cash equivalents	$ 26,830	$ 26,830	$ —	$ —	$ 26,830
Securities available-for-sale	17,926	—	14,752	3,174	17,926
Securities held-to-maturity	1,480	—	1,510	—	1,510
Equity securities	661	661	—	—	661
Loans receivable	285,640	—	—	280,887	280,887
FHLB stock	1,992	—	1,992	—	1,992
Accrued interest receivable	1,179	1,179	—	—	1,179
Financial liabilities:					
Deposits	$ 309,546	$ 97,418	$ —	$ 213,757	$ 311,175
Long-term borrowings	27,628	—	30,053	—	30,053
Subordinated debt	1,235	—	1,235	—	1,235
Accrued interest payable	52	52	—	—	52

The following tables summarize assets measured at fair value on a recurring basis, segregated by the level of valuation inputs within the hierarchy utilized to measure fair value:

	September 30, 2021			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Securities available-for-sale:				
Debt investment securities:				
Residential mortgage-backed - US agency and GSEs	$ —	$ 35	$ —	$ 35
Corporate bonds	—	19,527	—	19,527
Municipal bonds	—	14,255	3,029	17,284
Equity investment securities:				
Large cap equity mutual fund	41	—	—	41
Other mutual funds	284	—	—	284
Total investment securities	$ 325	$ 33,817	$ 3,029	$ 37,171

	December 31, 2020			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Securities available-for-sale:				
Debt investment securities:				
Residential mortgage-backed - US agency and GSEs	$ —	$ 39	$ —	$ 39
Municipal bonds	—	14,713	3,174	17,887
Equity investment securities:				
Large cap equity mutual fund	35	—	—	35
Other mutual funds	626	—	—	626
Total investment securities	$ 661	$ 14,752	$ 3,174	$ 18,587

The changes in Level 3 assets measured at estimated fair value on a recurring basis during the periods noted:

(In thousands)	Investment Securities
Balance - January 1, 2021	$ 3,174
Total gains realized/unrealized:	
Included in earnings	—
Included in other comprehensive income	170
Purchases	826
Principal payments/maturities	(1,141)
Sales	—
Balance - September 30, 2021	$ 3,029

(In thousands)	Investment Securities
Balance - January 1, 2020	$ 2,512
Total gains realized/unrealized:	
Included in earnings	—
Included in other comprehensive income	—
Purchases	1,159
Principal payments/maturities	(479)
Sales	—
Balance - September 30, 2020	$ 3,192

In 2021 and 2020, the Company purchased municipal bonds in the table above from local government entities which are not actively traded. The Company receives scheduled principal and interest payments from the municipalities based on the terms of the bonds. Management receives valuations on these investments on a quarterly basis from an outside party. As such, the carrying value is deemed to approximate fair value (Level 3).

Sensitivity of significant unobservable inputs: The following is a description of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Municipal bonds: The significant unobservable inputs used in the fair value measurement of the Company's municipal bonds are premiums for unrated securities and marketability discounts. Significant increases (decreases) in either of those inputs isolation would result in a significantly lower (higher) fair value measurement. In general, changes in either of those inputs will not affect the other input.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following tables summarize assets measured at fair value on a nonrecurring basis segregated by the level of valuation inputs within the hierarchy utilized to measure fair value:

	At September 30, 2021			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ —	$ —	$ 1,188	$ 1,188
Foreclosed real estate & repossessed assets	—	—	56	56

	December 31, 2020			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ —	$ —	$ 1,663	$ 1,663
Foreclosed real estate & repossessed assets	—	—	45	45

There have been no transfers of assets in or out of any fair value measurement level.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a nonrecurring basis at September 30, 2021 and December 31, 2020:

	Quantitative Information about Level 3 Fair Value Measurements		
	Valuation Techniques	**Unobservable Input**	**Range (Weighted Avg.)**
Impaired loans -	Appraisal of collateral	Appraisal Adjustments	5% - 35% (20)%
One-to four-family residential		Costs to Sell	5% - 15% (10)%
Impaired loans -	Appraisal of collateral	Appraisal Adjustments	5% - 35% (25)%
Real estate - nonresidential		Changes in property condition	10% - 20% (15)%
		Costs to Sell	5% - 15% (10)%
Impaired loans -	USDA Guarantee	Government guaranteed portion	20% (20)%
Commercial business			
Foreclosed real estate and repossessed assets	Appraisal of collateral	Appraisal Adjustments	5% - 35% (25)%
		Changes in property condition	10% - 20% (15)%
		Costs to Sell	5% - 15% (10)%

Impaired loans: At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive a specific valuation allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These real estate appraisals may include up to three approaches to value: the sales comparison approach, the income approach (for income-producing property) and the cost approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available, if applicable. Although the fair value of the property normally will be based on an appraisal, the valuation should be consistent with the price that a market participant will pay to purchase the property at the measurement date. Circumstances may exist that indicate that the appraised value is not an accurate measurement of the property's current fair value. Examples of such circumstances include changed economic conditions since the last appraisal, stale appraisals, or imprecision and subjectivity in the appraisal process. Appraisal adjustments may be made by management to reflect these conditions resulting in a discount of the appraised value. In addition, a discount is typically applied to account for estimated costs to sell. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuations, and management's expertise and knowledge of the client and client's business. The methods used to determine the fair values of impaired loans typically result in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Foreclosed real estate & repossessed assets: Assets acquired through foreclosure, transfers in lieu of foreclosure or repossession are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Similar to the impaired loan disclosures above, fair value is commonly based on recent real estate appraisals, or estimated value from auction house or qualified dealer, and adjusted as deemed necessary by independent appraisers and management and estimated costs to sell resulting in a level 3 fair value classification. Foreclosed and repossessed assets are evaluated on a monthly basis to determine whether an additional reduction in the fair value less estimated costs to sell should be recorded.

12. Segment Information

The Company has three primary business segments, its community banking franchise, its insurance agency, and a limited-purpose commercial bank.

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The community banking segment provides financial services to consumers and businesses principally in the Finger Lakes Region and Orleans County of New York State. These services include providing various types of loans to customers, accepting deposits, mortgage banking, and other traditional banking services. Parent company and treasury function income is included in the community-banking segment, as the majority of effort for these functions is related to this segment. Major revenue sources include net interest income, service fees on deposit accounts, and investment services commission. Expenses include personnel and branch-network support charges.

The insurance agency segment offers insurance coverage to businesses and individuals in the Finger Lakes Region. The insurance activities consist of those conducted through the Bank's wholly owned subsidiary, Generations Agency. The primary revenue source is commissions. Expenses include personnel and office support charges.

The municipal banking segment is a New York State chartered limited-purpose commercial bank formed expressly to enable local municipalities, primarily within the Finger Lakes Region and Northwest New York State, to deposit public funds with the Commercial Bank in accordance with existing NYS municipal law. The Commercial Bank is a wholly owned subsidiary of the Bank. The major revenue source is net interest income. Expenses include personnel, rent and support charges for using the assets and technology of the Bank.

Information about the segments is presented in the following table as of and for the periods as noted:

	Three Months Ended September 30,							
	2021				2020			
(In thousands)	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total
Net interest income	$ 3,074	$ —	$ 61	$ 3,135	$ 2,542	$ —	$ 123	$ 2,665
Provision for loan losses	135	—	—	135	150	—	—	150
Net interest income after provision for loan losses	2,939	—	61	3,000	2,392	—	123	2,515
Total noninterest income	500	171	—	671	499	182	480	1,161
Compensation and benefits	(1,251)	(90)	—	(1,341)	(1,180)	(92)	(18)	(1,290)
Other noninterest expense	(2,048)	(44)	(32)	(2,124)	(1,651)	(39)	(33)	(1,723)
Income before income tax expense	140	37	29	206	60	51	552	663
Income tax expense	28	—	5	33	23	—	—	23
Net income	$ 112	$ 37	$ 24	$ 173	$ 37	$ 51	$ 552	$ 640

Generations Bancorp NY, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	Nine Months Ended September 30,							
	2021				2020			
(In thousands)	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total
Net interest income	$ 8,719	$ —	$ 188	$ 8,907	$ 7,357	$ —	$ 392	$ 7,749
Provision for loan losses	405	—	—	405	330	—	—	330
Net interest income after provision for loan losses	8,314	—	188	8,502	7,027	—	392	7,419
Total noninterest income	1,448	555	—	2,003	1,604	591	480	2,675
Compensation and benefits	(3,661)	(281)	—	(3,942)	(3,705)	(287)	(56)	(4,048)
Other noninterest expense	(5,273)	(110)	(94)	(5,477)	(4,694)	(128)	(78)	(4,900)
Income before income tax expense (benefit)	828	164	94	1,086	232	176	738	1,146
Income tax expense (benefit)	173	—	18	191	(201)	—	—	(201)
Net income	$ 655	$ 164	$ 76	$ 895	$ 433	$ 176	$ 738	$ 1,347

The following represents a reconciliation of the Company's reported segment assets:

(In thousands)	At September 30, 2021	At December 31, 2020
Total assets for reportable segments	$ 393,308	$ 391,536
Elimination of intercompany balances	(15,934)	(18,522)
Consolidated total assets	$ 377,374	$ 373,014

The accounting policies of each segment are the same as those described in the summary of significant accounting policies.

13. Recently Issued Accounting Pronouncements

In September 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income.

In issuing the standard, the FASB is responding to criticism that today's guidance delays recognition of credit losses. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees.

The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today.

The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination.

ASU No. 2016-13 is effective for public business entities that are U.S. Securities and Exchange Commission ("SEC") filers for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For SEC filers that are Smaller Reporting Companies, such as the Company, all other public business entities, and other non-public entities, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach).

The Company is currently evaluating the impact of these amendments to the Company's financial position and results of operations and will hire a vendor to assist with expected credit loss projections. The Allowance for Loan Losses ("ALL") estimate is material to the Company and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the ALL at adoption date. The Company is anticipating a significant change in the processes and procedures to calculate the ALL, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. In addition, the current accounting policy and procedures for the other-than-temporary impairment on available-for-sale securities will be replaced with an allowance approach. The Company continues to collect and retain historical loan and credit data. The Company is in the process of identifying data gaps. The Audit Committee is informed of ongoing CECL developments. For additional information on the allowance for loan losses, see Notes 5 and 6 to these condensed consolidated financial statements.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis of the financial condition and results of operations at and for the three and nine months ended September 30, 2021 and 2020 is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto, appearing on Part I, Item 1 of this quarterly report on Form 10-Q.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" 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 asset 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 inherently 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.

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:

- conditions relating to the Covid-19 pandemic, including the severity and duration of the associated economic slowdown either nationally or in our market area, that are worse than expected;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- government-imposed limitations on our ability to foreclose on or repossess collateral for our loans;
- government-mandated forbearance programs;
- the success of our consumer loan portfolio, much of which is purchased from third-party originators, and is secured by collateral outside of our market area, including in particular, automobile, recreational vehicle and manufactured home loans,
- our ability to access cost-effective funding, including by increasing core deposits and reducing reliance on wholesale funds;
- fluctuations in real estate values in both residential and commercial real estate market conditions;

- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- the performance and availability of purchased loans;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, the fair value of financial instruments, or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements, including as a result of Basel III;
- the impact of the Dodd-Frank Act and the implementing regulations;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- the inability of third-party providers to perform as expected, including third-party loan originators;
- our ability to manage market risk, credit risk, and operational risk in the current economic environment;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems, and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- 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.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Critical Accounting Policies

There are no material changes to the critical accounting policies disclosed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

The information for the three and nine months ended September 30, 2021 and 2020 is unaudited, but reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2021 or any other period.

	At September 30, 2021	At December 31, 2020
	(In thousands)	
Selected Financial Condition Data:		
Total assets	$ 377,374	$ 373,014
Cash and cash equivalents	12,185	26,830
Available-for-sale securities	36,846	17,926
Securities held to maturity	1,184	1,480
Equity securities	325	661
Loans, net	287,419	285,640
Premises and equipment, net	15,955	16,743
Bank-owned life insurance	7,863	7,777
Pension plan asset	9,782	8,720
Federal Home Loan Bank stock, at cost	1,562	1,992
Accrued interest receivable	1,305	1,179
Goodwill and intangible assets, net	1,592	1,640
Other assets	1,300	2,381
Foreclosed real estate and repossessed assets	56	45
Total liabilities	334,908	343,128
Deposits	311,508	309,546
Borrowings	19,858	27,628
Holding company borrowings and subordinated debt	—	1,235
Other liabilities	2,170	2,124
Escrowed funds	1,372	2,595
Total equity	42,466	29,886

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Selected Operating Data:				
Interest and dividend income	$ 3,531	$ 3,392	$ 10,214	$ 10,057
Interest expense	396	727	1,307	2,308
Net interest income	3,135	2,665	8,907	7,749
Provision for loan losses	135	150	405	330
Net interest income after provision for loan losses	3,000	2,515	8,502	7,419
Noninterest income	671	1,145	2,003	2,675
Noninterest expenses	3,465	2,997	9,419	8,948
Income before income tax expense (benefit)	206	663	1,086	1,146
Income tax expense (benefit)	33	23	191	(201)
Net income	$ 173	$ 640	$ 895	$ 1,347

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Performance Ratios:				
Return on average assets	0.18 %	0.69 %	0.32 %	0.50 %
Return on average equity	1.62 %	8.66 %	2.92 %	6.20 %
Interest rate spread(2)	3.71 %	3.26 %	3.53 %	3.28 %
Net interest margin(3)	3.72 %	3.25 %	3.53 %	3.25 %
Noninterest expense to average total assets	3.66 %	3.25 %	3.32 %	3.32 %
Efficiency ratio(4)	91.04 %	78.66 %	86.33 %	85.84 %
Average interest-earning assets to average interest-bearing liabilities	101.42 %	97.88 %	100.84 %	97.28 %
Average equity to average total assets	11.29 %	8.00 %	10.80 %	8.07 %
Asset Quality Ratios:				
Non-performing assets to total assets	0.98 %	1.08 %	0.98 %	1.08 %
Non-performing loans to total loans	1.34 %	1.40 %	1.34 %	1.40 %
Allowance for loan losses to non-performing loans	56.57 %	53.56 %	56.57 %	53.56 %
Allowance for loan losses to total loans	0.76 %	0.75 %	0.76 %	0.75 %
Capital Ratios: (Bank only)				
Common equity Tier 1 capital to risk-weighted assets	14.26 %	12.15 %	14.26 %	12.15 %
Total capital (to risk-weighted assets)	14.98 %	12.96 %	14.98 %	12.96 %
Tier 1 capital (to risk-weighted assets)	14.26 %	12.15 %	14.26 %	12.15 %
Tier 1 capital (to total assets)	10.74 %	8.54 %	10.74 %	8.54 %
Other:				
Number of full-service offices	9	11	9	11
Number of full-time equivalent employees	91	102	91	102

(1) Annualized where appropriate.
(2) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(3) Represents net interest income as a percentage of average interest-earning assets.
(4) Represents non-interest expenses divided by the sum of net interest income and non-interest income.

Comparison of Financial Condition at September 30, 2021 and December 31, 2020

Total Assets. Total assets increased $4.4 million, or 1.2%, to $377.4 million at September 30, 2021 from $373.0 million at December 31, 2020. The increase resulted primarily from increases in investment securities available-for-sale of $18.9 million, net loans of $1.8 million, and pension plan assets of $1.1 million, partially offset by decreases in cash and cash equivalents of $14.6 million and $1.1 million in other assets.

Investment Securities Available-for-sale. Investment securities available-for-sale increased $18.9 million, or 105.5%, to $36.8 million at September 30, 2021 from $17.9 million at December 31, 2020. The increase in investment securities available-for-sale was primarily attributable to the purchase of $25.3 million of bonds, partially offset by bond maturities and principal repayments of $3.0 million and proceeds of bond sales of $3.0 million.

Net Loans. Net loans increased $1.8 million, or 0.6%, to $287.4 million at September 30, 2021 from $285.6 million at December 31, 2020. The increase resulted from increases in recreational vehicles of $15.6 million, or 107.4%, manufactured homes of $3.9 million, or 8.8%, other consumer loans of $1.6 million, or 36.5%, and automobile loans of $1.5 million, or 6.9%, partially offset by decreases in one- to four-family residential real estate loans of $11.0

million, or 8.6%, multi-family loans of $4.7 million, or 92.1%, nonresidential loans of $2.5 million, or 10.2%, commercial business loans of $5.3 million, or 26.1%, and home equity and junior liens of $1.3 million, or 11.4%.

Net deferred fees increased $4.3 million, or 36.9%, during the nine months ended September 30, 2021, representing primarily fees paid for purchased loans net of amortization, which is over the estimated loan lives.

Consistent with our business strategy, we intend to continue the purchase and origination of automobile, recreational vehicle, and manufactured home loans. During the nine months ended September 30, 2021, we purchased $9.2 million of automobile loans, $18.4 million of recreational vehicle loans, $10.1 million of manufactured home loans, and $168,000 of one- to four-family loans.

Pension Plan Assets. Pension plan assets increased $1.1 million, or 12.2%, to $9.8 million at September 30, 2021 from $8.7 million at December 31, 2020. The increase resulted from estimated returns on pension assets of $1.5 million and employer contributions of $382,000, partially offset by estimated benefits paid of $370,000 and interest costs of $413,000.

Cash and Cash Equivalents. Cash and cash equivalents decreased $14.6 million, or 54.6%, to $12.2 million at September 30, 2021 from $26.8 million at December 31, 2020 primarily due to purchases of investment securities available-for-sale and loans.

Other Assets. Other assets decreased $1.1 million, or 45.4%, to $1.3 million at September 30, 2021 from $2.4 million at December 31, 2020. The decrease was due to stock offering expenses being appropriately applied against gross proceeds raised at the conclusion of the offering.

Deposits. Deposits increased $2.0 million, or 0.6%, to $311.5 million at September 30, 2021 from $309.5 million at December 31, 2020. Interest-bearing accounts increased $9.9 million, or 4.1%, to $253.8 million at September 30, 2021 from $243.9 million at December 31, 2020. The largest increase in interest-bearing deposits was in savings accounts which increased $6.0 million, or 5.9%, to $108.3 million at September 30, 2021 from $102.3 million at December 31, 2020. Interest-bearing checking accounts increased $4.0 million, or 12.7%, to $35.8 million at September 30, 2021 from $31.7 million at December 31, 2020. Additionally, money market accounts increased $3.6 million, or 13.6%, to $29.9 million at September 30, 2021 from $26.3 million at December 31, 2020. Noninterest-bearing deposits decreased $8.0 million, or 12.1%, to $57.7 million at September 30, 2021 from $65.7 million at December 31, 2020. Certificates of deposit decreased $3.7 million, or 4.4%, to $79.8 million at September 30, 2021 from $83.5 million at December 31, 2020.

Municipal deposits held at Generations Commercial Bank decreased $2.1 million, or 29.6%, to $5.0 million at September 30, 2021 from $7.1 million at December 31, 2020.

Federal Home Loan Bank Advances. Federal Home Loan Bank advances decreased $7.8 million, or 28.1%, to $19.9 million at September 30, 2021 from $27.6 million at December 31, 2020 due to repayments.

Subordinated Debt and Other Borrowings. Subordinated debt and other borrowings, which totaled $1.2 million at December 31, 2020 were repaid in full during January 2021.

Total Equity. Total equity increased $12.6 million, or 42.1%, to $42.5 million at September 30, 2021 from $29.9 million at December 31, 2020. The increase was primarily due to net proceeds of $13.2 million from the stock offering completed in January 2021 and net income of $895,000 during the nine months ended September 30, 2021, offset in part by a $1.1 million increase in unearned ESOP shares, at cost.

Comparison of Operating Results for the Three Months Ended September 30, 2021 and 2020

General. Net income for the quarter ended September 30, 2021 was $173,000 as compared to $640,000 for the quarter ended September 30, 2020, a decrease of $467,000 or 73.0%. The decrease was due to a $474,000 decrease in noninterest income, a $468,000 increase in noninterest expense, and a $10,000 increase in income tax expense, partially offset by a $470,000 increase in net interest income and a $15,000 decrease in provision for loan losses.

Interest and Dividend Income. Interest and dividend income increased $139,000, or 4.1%, to $3.5 million for the quarter ended September 30, 2021 from $3.4 million for the quarter ended September 30, 2020. This increase was primarily attributable to a $98,000 increase in interest on loans receivable and a net increase of $45,000 in interest on investment securities. The average balance of loans increased $1.3 million, or 0.4%, to $289.2 million for the quarter ended September 30, 2021 from $288.0 million for the quarter ended September 30, 2020. The average yield on loans increased 12 basis points to 4.49% for the 2021 period from 4.37% for the 2020 period, reflecting an increase in higher yielding consumer loans period to period. The average balance of investment securities increased $8.7 million, or 29.5%, to $38.0 million for the quarter ended September 30, 2021 from $29.4 million for the quarter ended September 30, 2020, while the average yield on investment securities decreased 18 basis points to 2.68% for the 2021 period from 2.86% for the 2020 period.

Interest Expense. Total interest expense decreased $331,000, or 45.5%, to $396,000 for the quarter ended September 30, 2021 from $727,000 for the quarter ended September 30, 2020. Interest expense on total interest-bearing deposits decreased $261,000, or 46.5%, to $300,000 for the quarter ended September 30, 2021 from $561,000 for the quarter ended September 30, 2020. The decrease was primarily attributable to a decrease of $15.1 million, or 16.1%, in the average balance of certificates of deposit to $79.1 million for the quarter ended September 30, 2021 from $94.3 million for the quarter September 30, 2020, in addition to a decrease in the average cost of 99 basis points to 0.72% for the quarter ended September 30, 2021 from 1.71% for the same period in 2020. Interest expense on borrowings decreased $70,000, or 42.2%, to $96,000 for the quarter ended September 30, 2021 from $166,000 for the quarter ended September 30, 2020, due to a 28 basis points decrease in average borrowing costs to 1.86% for the quarter ended September 30, 2021 from 2.14% for the quarter ended September 30, 2020, as a result of a decrease in the average balance of borrowings of $10.4 million to $20.6 million for the quarter ended September 30, 2021 from $31.0 million for the quarter ended September 30, 2020.

Net Interest Income. Net interest income increased $470,000, or 17.6%, to $3.1 million for the quarter ended September 30, 2021 from $2.7 million for the quarter ended September 30, 2020. Our net interest rate spread increased to 3.71% for the quarter ended September 30, 2021 from 3.26% for the quarter ended September 30, 2020. Our net interest margin increased to 3.72% for the quarter ended September 30, 2021 from 3.25% for the same period in 2020. Net interest rate spread and net interest margin were affected primarily by changes in our asset mix and the decrease in cost of funds between the comparable periods.

Provision for Loan Losses. Based on management's analysis of the allowance for loan losses described in Note 6 of our interim consolidated financial statements "Allowance for Loan Losses," we recorded a provision for loan losses of $135,000 for the quarter ended September 30, 2021 as compared to a provision for loan losses of $150,000 for the quarter ended September 30, 2020. The allowance for loan losses was $2.1 million, or 0.76%, of total loans at September 30, 2021 as compared to $1.8 million, or 0.65%, of total loans at December 31, 2020. The decrease in provision for loan losses for the 2021 period was primarily due to the attainment of adequate cash reserve balances associated with our purchased loan portfolio.

Noninterest Income. Noninterest income decreased $474,000, or 41.4%, to $671,000 for the quarter ended September 30, 2021 from $1.1 million for the quarter ended September 30, 2020. The decrease was primarily due a decrease in net gain on sale of securities, partially offset by an increase in banking fees and service charges. Net gain on sale of securities decreased $496,000, or 97.5%, to $13,000 for the quarter ended September 30, 2021 as compared to $509,000 for the quarter ended September 30, 2020 due to increased sales of securities in 2020. Banking fees and service charges increased $30,000, or 8.1%, to $400,000 for the quarter ended September 30, 2021 from $370,000 for the quarter ended September 30, 2020, due to increases in insufficient funds charges and loan late fees assessed in 2021.

Noninterest Expense. Noninterest expense increased $468,000, or 15.6%, to $3.5 million for the quarter ended September 30, 2021 from $3.0 million for the quarter ended September 30, 2020 due to increases in asset impairment expense, compensation and benefits, professional and other services, and service charges. Impairment of long-lived assets increased $300,000 to $300,000 for the quarter ended September 30, 2021 from $0 for the quarter ended September 30, 2020 due to the write-down of a property. The impairment loss recognized was estimated based upon an accepted purchase offer price less the costs to sell. The sale of the property is expected to take place in 2021, subject to the borrower obtaining a commercial mortgage commitment from a financial institution. Compensation and benefits increased $51,000, or 4.0%, to $1.3 million for the quarter ended September 30, 2021 primarily due to a $37,000 increase related to changes in the market price of GBNY stock held in the supplemental executive retirement plan for the quarter ended September 30, 2021 as compared to the same period in 2020. Professional and other services increased $36,000, or 26.7%, to $171,000 for the quarter ended September 30, 2021 from $135,000 for the quarter ended September 30, 2020, due to the increased costs associated with becoming a fully public company in addition to an increase in investment management service fees, partially offset by decreases in legal expense and consulting fees. Service charges increased $34,000, or 6.8%, to $537,000 for the quarter ended September 30, 2021 from $503,000 for the quarter ended September 30, 2020, due to higher technology costs.

Income Taxes. Income tax expense increased $10,000, or 43.5%, to $33,000 for the quarter ended September 30, 2021 as compared to income tax expense of $23,000 for the quarter ended September 30, 2020. The increase in income tax expense for the quarter ended September 30, 2021 as compared to the same period in 2020 was due to our ability to carryback a net operating loss pursuant to the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act in 2020.

Comparison of Operating Results for the Nine Months Ended September 30, 2021 and 2020

General. Net income for the nine months ended September 30, 2021 was $895,000 as compared to $1.3 million for the nine months ended September 30, 2020, a decrease of $452,000 or 33.6%. The decrease was due to a $672,000 decrease in noninterest income, a $471,000 increase in noninterest expense, a $392,000 increase in income tax expense, and a $75,000 increase in provision for loan losses, partially offset by a $1.2 million increase in net interest income.

Interest and Dividend Income. Interest and dividend income increased $157,000, or 1.6%, to $10.2 million for the nine months ended September 30, 2021 from $10.1 million for the nine months ended September 30, 2020. This increase was primarily attributable to a $280,000 increase in interest on loans receivable, partially offset by a net decrease of $91,000 in interest on investment securities. The average balance of loans increased $10.8 million, or 4.0%, to $285.4 million for the nine months ended September 30, 2021 from $274.6 million for the nine months ended September 30, 2020, while the average yield on loans decreased four basis points to 4.42% for the 2021 period from 4.46% for the 2020 period. The average balance of investment securities increased $482,000, or 1.4%, to $34.1 million for the nine months ended September 30, 2021 from $33.6 million for the nine months ended September 30, 2020 while the average yield on investment securities decreased 39 basis points to 2.62% for the 2021 period from 3.01% for the 2020 period.

Interest Expense. Total interest expense decreased $1.0 million, or 43.4%, to $1.3 million for the nine months ended September 30, 2021 from $2.3 million for the nine months ended September 30, 2020. Interest expense on total interest-bearing deposits decreased $831,000, or 46.2%, to $969,000 for the nine months ended September 30, 2021 from $1.8 million for the nine months ended September 30, 2020. The decrease was primarily attributable to a decrease of $19.4 million in the average balance of certificates of deposit to $81.3 million for the nine months ended September 30, 2021 from $100.7 million for the nine months ended September 30, 2020 in addition to a decrease in the average cost of 95 basis points to 0.85% for the nine months ended September 30, 2021 from 1.80% for the same period in 2020. Interest expense on borrowings decreased $170,000, or 33.5%, to $338,000 for the nine months ended September 30, 2021 from $508,000 for the nine months ended September 30, 2020, due to a 19 basis points decrease in average borrowing costs to 1.92% for the nine months ended September 30, 2021 from 2.11% for the nine months ended September 30, 2020, as a result of a decrease in the average balance of borrowings to $23.5 million for the nine months ended September 30, 2021 from $32.2 million for the nine months ended September 30, 2020.

Net Interest Income. Net interest income increased $1.2 million, or 14.9%, to $8.9 million for the nine months ended September 30, 2021 from $7.7 million for the nine months ended September 30, 2020. Our net interest rate spread increased to 3.53% for the nine months ended September 30, 2021 from 3.28% for the nine months ended September 30, 2020. Our net interest margin increased to 3.53% for the nine months ended September 30, 2021 from 3.25% for the same period in 2020. Net interest rate spread and net interest margin were affected primarily by the decrease in cost of funds between the comparable periods.

Provision for Loan Losses. Based on management's analysis of the allowance for loan losses described in Note 6 of our interim consolidated financial statements "Allowance for Loan Losses," we recorded a provision for loan losses of $405,000 for the nine months ended September 30, 2021 as compared to a provision for loan losses of $330,000 for the nine months ended September 30, 2020. The allowance for loan losses was $2.1 million, or 0.76%, of total loans at September 30, 2021 as compared to $1.8 million, or 0.65%, of total loans at December 31, 2020. The increase provision for loan losses in the 2021 period was due primarily to an increase in purchased loans secured by manufactured homes, automobiles and recreational vehicles.

Noninterest Income. Noninterest income decreased $672,000, or 25.1%, to $2.0 million for the nine months ended September 30, 2021 from $2.7 million for the nine months ended September 30, 2020. The decrease was primarily attributable to decreases in net gain on sale of securities, other charges, commissions, & fees, and investment services commissions, partially offset by an increase in realized gains on equity securities. Net gain on sale of securities decreased $498,000, or 97.8%, to $11,000 for the nine months ended September 30, 2021 as compared to $509,000 for the nine months ended September 30, 2020, due to increased sales of securities in 2020. Other charges, commissions, & fees decreased $285,000, or 66.1%, to $146,000 for the nine months ended September 30, 2021 from $431,000 for the nine months ended September 30, 2020, primarily due to a $330,000 gain realized on the sale of the investment services book of business in June 2020. Investment services commissions decreased $86,000 for the nine months ended September 30, 2021 as there were no investment services commissions recognized in 2021. Realized gains on equity securities increased $178,000, or 101.1%, to a gain of $2,000 for the nine months ended September 30, 2021 as compared to a loss of $176,000 for the nine months ended September 30, 2020, due to an increase in the fair market value.

Noninterest Expense. Noninterest expense increased $471,000, or 5.3%, to $9.4 million for the nine months ended September 30, 2021 from $8.9 million for the nine months ended September 30, 2020, due to increases in asset impairment expense, regulatory assessments, service charges, and professional and other services, partially offset by a decrease in compensation and benefits. Impairment of long-lived assets increased $300,000 to $300,000 for the nine months ended September 30, 2021 from $0 for the nine months ended September 30, 2020 due to the write-down of a property. The impairment loss recognized was estimated based upon an accepted purchase offer price less the costs to sell. The sale of the property is expected to take place in 2021, subject to the borrower obtaining a commercial mortgage commitment from a financial institution. Regulatory assessments increased $104,000, or 48.8%, to $317,000 for the nine months ended September 30, 2021 from $213,000 for the nine months ended September 30, 2020 due to higher deposit insurance costs. Service charges increased $94,000, or 6.5%, to $1.5 million for the nine months ended September 30, 2021, due to higher technology costs. Professional and other services increased $53,000, or 13.2%, to $454,000 for the nine months ended September 30, 2021 from $401,000 for the nine months ended September 30, 2020, due to the increased costs associated with becoming a fully public company in addition to an increase in investment management service fees, partially offset by decreases in legal expense and consulting fees. Compensation and benefits decreased $106,000, or 2.6%, to $3.9 million for the nine months ended September 30, 2021 from $4.0 million for the nine months ended September 30, 2020, due to decreases in salaries and health insurance premium expense as a result of a reduction in the number of employees in addition to an increase in pension expense benefit.

Income Taxes. Income tax expense increased $392,000, or 195.0%, to $191,000 for the nine months ended September 30, 2021 as compared to an income tax benefit of $201,000 for the nine months ended September 30, 2020. The increase in income tax expense for the nine months ended September 30, 2021 as compared to the same period in 2020 was due to our ability to carryback a net operating loss pursuant to the CARES Act in 2020.

Average Balances and Yields. The following tables set forth average balance sheets, average yield and costs, and certain other information at the dates and for the period indicated. No tax-equivalent yield adjustments have been made. Any adjustments necessary to present yields on a tax-equivalent basis are insignificant. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or interest expense.

	Three Months Ended September 30,					
	2021			2020		
	Average Balance Outstanding	Interest	Yield/ Rate	Average Balance Outstanding	Interest	Yield/ Rate
Interest-earning assets:						
Loans	$ 289,244	$ 3,247	4.49 %	$ 287,993	$ 3,149	4.37 %
Securities	38,019	255	2.68	29,351	210	2.86
Interest earning deposits	8,215	8	0.39	8,712	1	0.05
Other	1,605	21	5.23	2,174	32	5.89
Total interest-earning assets	337,083	3,531	4.19	328,230	3,392	4.13
Non-interest-earning assets	41,919			40,971		
Total assets	$ 379,002			$ 369,201		
Interest-bearing liabilities:						
Demand deposits	$ 92,602	$ 16	0.07 %	$ 83,840	$ 12	0.06 %
Money market accounts	29,739	27	0.36	25,325	22	0.35
Savings accounts	110,296	114	0.41	100,914	125	0.50
Certificates of deposit	79,128	143	0.72	94,270	402	1.71
Total interest-bearing deposits	311,765	300	0.38	304,349	561	0.74
Borrowings	20,601	96	1.86	30,984	166	2.14
Total interest-bearing liabilities	332,366	396	0.48	335,333	727	0.87
Other non-interest bearing liabilities	3,842			4,320		
Total liabilities	336,208			339,653		
Equity	42,794			29,548		
Total liabilities and equity	$ 379,002			$ 369,201		
Net interest income		$ 3,135			$ 2,665	
Interest rate spread			3.71 %			3.26 %
Net interest-earning assets	$ 4,717			$ (7,103)		
Net interest margin			3.72 %			3.25 %
Average interest-earning assets to average to interest-bearing liabilities	101.42 %			97.88 %		

	Nine Months Ended September 30,					
	2021			2020		
	Average Balance Outstanding	Interest	Yield/ Rate	Average Balance Outstanding	Interest	Yield/ Rate
Interest-earning assets:			(In thousands)			
Loans	$ 285,409	$ 9,463	4.42 %	$ 274,561	$ 9,183	4.46 %
Securities	34,108	669	2.62	33,626	760	3.01
Interest earning deposits	15,204	15	0.13	7,221	11	0.20
Other	1,762	67	5.07	2,263	103	6.07
Total interest-earning assets	336,483	10,214	4.05	317,671	10,057	4.22
Non-interest-earning assets	41,901			41,346		
Total assets	$ 378,384			$ 359,017		
Interest-bearing liabilities:						
Demand deposits	$ 91,006	$ 43	0.06 %	$ 75,355	$ 33	0.06 %
Money market accounts	29,100	77	0.35	24,842	78	0.42
Savings accounts	108,817	332	0.41	93,531	330	0.47
Certificates of deposit	81,285	517	0.85	100,664	1,359	1.80
Total interest-bearing deposits	310,208	969	0.42	294,392	1,800	0.82
Borrowings	23,476	338	1.92	32,173	508	2.11
Total interest-bearing liabilities	333,684	1,307	0.52	326,565	2,308	0.94
Other non-interest bearing liabilities	3,824			3,493		
Total liabilities	337,508			330,058		
Equity	40,876			28,959		
Total liabilities and equity	$ 378,384			$ 359,017		
Net interest income		$ 8,907			$ 7,749	
Interest rate spread			3.53 %			3.28 %
Net interest-earning assets	$ 2,799			$ (8,894)		
Net interest margin			3.53 %			3.25 %
Average interest-earning assets to average to interest-bearing liabilities	100.84 %			97.28 %		

Liquidity and Capital Resources. Liquidity is the ability to meet financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. The Bank's primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, and proceeds from the sale or maturities of securities. In addition, the Bank may borrow from the FHLB. At September 30, 2021, the Bank had $19.9 million outstanding in advances from the FHLB. At September 30, 2021, the Bank had an additional $15.5 million in lines of credit available with other financial institutions. No advances received can exceed 50% of the Bank's capital. At September 30, 2021 and December 31, 2020, there were no outstanding advances on this line.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and equity and available-for-sale investments. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was $1.4 million for the nine months ended September 30, 2021 and net cash used by operating activities was $24,000 for the nine months ended September 30, 2020. Net cash used in investing activities, which consists primarily of disbursements for loan originations and the purchase of securities, offset by principal collections on loans, proceeds from the sale of and maturing securities, was

$21.1 million and $20.3 million for the nine months ended September 30, 2021 and 2020, respectively. Net cash provided by financing activities, consisting primarily of the activity in deposit accounts and FHLB advances, was $5.0 million and $19.1 million for the nine months ended September 30, 2021 and 2020, respectively.

We are committed to maintaining a satisfactory liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments.

Generations Bancorp is a separate corporate entity from Generations Bank and it must provide for its own liquidity to pay any dividends to its stockholders, to repurchase any shares of its common stock, and for other corporate purposes. Generations Bancorp's primary source of liquidity is any dividend payments it may receive from Generations Bank. Generations Bank paid no dividends to Generations Bancorp during the nine months ended September 30, 2021 or the year ended December 31, 2020. At September 30, 2021, Generations Bancorp (on an unconsolidated, stand-alone basis) had liquid assets totaling $2.0 million.

At September 30, 2021 and December 31, 2020, Generations Bank exceeded all its regulatory capital requirements and was categorized as well capitalized. See Note 8 to the interim condensed consolidated financial statements. Management is unaware of any conditions or events since the most recent notification that would change our category.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable, as the Registrant is a smaller reporting company.

ITEM 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2021. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Registrant's disclosure controls and procedures were effective.

During the quarter ended September 30, 2021, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on our financial condition or results of operations.

ITEM 1A. Risk Factor

Not applicable, as the Registrant is a smaller reporting company.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) There were no sales of unregistered securities during the period covered by this Report.

(b) Not applicable

(c) There were no issuer repurchases of securities during the period covered by this Report.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Exhibit Index

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer 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	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101)

SIGNATURES

Pursuant to the requirements 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.

GENERATIONS BANCORP NY, INC.

Date: November 5, 2021	/s/ Menzo D. Case Menzo D. Case Chief Executive Officer
Date: November 5, 2021	/s/ Angela M. Krezmer Angela M. Krezmer Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Menzo D. Case, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Generations Bancorp NY, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Menzo D. Case
Menzo D. Case
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Angela M. Krezmer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Generations Bancorp NY, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Angela M. Krezmer
Angela M. Krezmer
Chief Financial Officer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Menzo D. Case, Chief Executive Officer and Angela M. Krezmer Chief Financial Officer of Generations Bancorp NY, Inc., (the "Company") certify in their capacity as officers of the Company that they have reviewed the quarterly report on Form 10-Q for the quarter ended September 30, 2021 (the "Report") and that to the best of their knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2021	/s/ Menzo D. Case Menzo D. Case Chief Executive Officer
Date: November 5, 2021	/s/ Angela M. Krezmer Angela M. Krezmer Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.