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 June 30, 2022
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 every Interactive Data File required to be submitted 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 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 ☒.

2,428,814 shares of the Registrant's common stock, par value $0.01 per share, were issued and outstanding as of August 4, 2022.

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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)	At June 30, 2022 *(Unaudited)*	At December 31, 2021
ASSETS:		
Cash and due from banks	$ 3,615	$ 4,051
Interest earning deposits	9,340	16,946
Total cash and cash equivalents	12,955	20,997
Interest earning time deposits in banks	650	650
Investment securities available-for-sale, at fair value	32,910	36,975
Investment securities held-to-maturity (fair value 2022-$1,004, 2021-$1,150)	1,016	1,128
Equity investment securities, at fair value	299	350
Federal Home Loan Bank stock, at cost	1,217	1,450
Loans	283,127	279,961
Less: Allowance for loan losses	(2,188)	(1,841)
Loans receivable, net	280,939	278,120
Premises and equipment, net	15,074	15,345
Bank-owned life insurance	7,944	7,890
Pension plan asset	11,941	11,107
Foreclosed real estate & repossessed assets	69	27
Goodwill	792	792
Intangible assets, net	751	783
Accrued interest receivable	1,162	1,249
Other assets	1,953	2,086
Total assets	$ 369,672	$ 378,949
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Deposits:		
Noninterest-bearing	$ 57,284	$ 57,540
Interest-bearing	254,270	254,509
Total deposits	311,554	312,049
Long-term borrowings	14,228	17,760
Advances from borrowers for taxes and insurance	2,738	2,443
Other liabilities	2,124	3,218
Total liabilities	330,644	335,470
Shareholders' equity:		
Preferred stock, par value $0.01; 1,000,000 shares authorized; none issued	—	—
Common stock, par value $0.01; 14,000,000 shares authorized in 2022 and 2021; 2,430,972 shares issued and outstanding in 2022; and 2,458,261 shares issued and outstanding in 2021	25	26
Additional paid in capital	23,716	24,494
Retained earnings	22,276	21,669
Accumulated other comprehensive loss	(5,224)	(966)
Stock held in rabbi trust	(698)	(654)
Unearned ESOP shares, at cost	(1,067)	(1,090)
Total shareholders' equity	39,028	43,479
Total liabilities and shareholders' equity	$ 369,672	$ 378,949

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 June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Interest and dividend income:				
Loans, including fees	$ 2,868	$ 3,107	$ 5,818	$ 6,216
Debt and equity securities:				
	139	129	301	213
Tax-exempt	111	100	223	201
Interest-earning deposits	38	3	54	7
Other	13	23	22	46
Total interest income	3,169	3,362	6,418	6,683
Interest expense:				
Deposits	279	322	556	669
Long-term borrowings	68	111	145	233
Subordinated debt	—	—	—	9
Total interest expense	347	433	701	911
Net interest income	2,822	2,929	5,717	5,772
Provision for loan losses	150	135	300	270
Net interest income after provision for loan losses	2,672	2,794	5,417	5,502
Noninterest income:				
Banking fees and service charges	427	398	802	772
Mortgage banking income, net	15	10	24	23
Insurance commissions	101	201	298	375
Earnings on bank-owned life insurance	26	27	53	59
Change in fair value on equity securities	(39)	18	(51)	3
Net loss on sale of securities	—	(2)	—	(2)
Other charges, commissions & fees	37	68	57	102
Total noninterest income	567	720	1,183	1,332
Noninterest expense:				
Compensation and benefits	1,163	1,342	2,398	2,601
Occupancy and equipment	499	531	984	1,051
Service charges	531	507	1,037	1,010
Regulatory assessments	63	116	126	211
Professional and other services	192	144	382	283
Advertising	106	109	214	217
Other expenses	273	317	576	581
Total noninterest expenses	2,827	3,066	5,717	5,954
Income before income tax expense	412	448	883	880
Income tax expense	67	79	142	158
Net income	**345**	**369**	**741**	**722**
Net income available to common shareholders	**$ 345**	**$ 369**	**$ 741**	**$ 722**
Basic and diluted earnings per common share	**$ 0.15**	**$ 0.16**	**$ 0.32**	**$ 0.31**

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 June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	$ 345	**$ 369**	**$ 741**	**$ 722**
Other comprehensive income (loss), before tax:				
Unrealized losses on securities available-for-sale:				
Unrealized holding gains (losses) arising during the period	(3,145)	215	(5,390)	199
Reclassification adjustment for net losses included in net income	—	2	—	2
Net unrealized gains (losses) on securities available-for-sale	(3,145)	217	(5,390)	201
Defined benefit pension plan:				
Reclassification of amortization of net losses recognized in net pension expense	—	28	—	57
Net change in defined benefit pension plan asset	—	28	—	57
Other comprehensive income (loss), before tax	(3,145)	245	(5,390)	258
Tax effect	661	(51)	1,132	(54)
Other comprehensive income (loss), net of tax	**(2,484)**	**194**	**(4,258)**	**204**
Total comprehensive income (loss)	**$ (2,139)**	**$ 563**	**$ (3,517)**	**$ 926**

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
	$	$ 24,496	$ 22,065		$	$ (654)	$ (1,078)	$
Net income	—	—	345	—	—	—	—	345
Effect of stock repurchase plan	(1)	(805)	(134)	—	—	—	—	(940)
Purchase of common stock for Directors Retirement Plan	—	—	—	—	—	(13)	—	(13)
Repurchase of common stock	—	—	—	—	—	—	—	—
	—	2		—	—		11	13
Balance, June 30, 2022	$ 25	$ 23,716	$ 22,276	$ (5,224)	$ —	$ (698)	$ (1,067)	$ 39,028

Net income	—	—	369	—	—	—	—	369
Other comprehensive income	—	—	—	194	—	—	—	194
	—			—	—		12	12
Balance, June 30, 2021	$ 26	$ 24,491	$ 20,978	$ (1,211)	$ —	$ (627)	$ (1,112)	$ 42,545

(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, December 31, 2021	$ 26	$ 24,494	$ 21,669	$ (966)	$ —	$ (654)	$ (1,090)	$ 43,479
Net income	—	—	741	—	—	—	—	741
Other comprehensive loss	—	—	—	(4,258)	—	—	—	(4,258)
Effect of stock repurchase plan	(1)	(805)	(134)	—	—	—	—	(940)
Stock-based compensation	—	23	—	—	—	—	—	23
Purchase of common stock for Directors Retirement Plan	—	—	—	—	—	(13)	—	(13)
Purchase of common stock for SERPs	—	—	—	—	—	(31)	—	(31)
ESOP shares committed to be released	—	4	—	—	—	—	23	27
Balance, June 30, 2022	$ 25	$ 23,716	$ 22,276	$ (5,224)	$ —	$ (698)	$ (1,067)	$ 39,028
Balance, December 31, 2020	$ 26	$ 11,954	$ 20,256	$ (1,415)	$ (614)	$ (290)	$ (31)	$ 29,886
Net income	—	—	722	—	—	—	—	722
Proceeds from issuance of 1,477,575 shares of common 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 income	—	—	—	204	—	—	—	204
Purchase of common stock for Directors Retirement Plan	—	—	—	—	—	(337)	—	(337)
ESOP shares committed to be released	—	—	—	—	—	—	23	23
Balance, June 30, 2021	$ 26	$ 24,491	$ 20,978	$ (1,211)	$ —	$ (627)	$ (1,112)	$ 42,545

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)	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
OPERATING ACTIVITIES		
Net income	$ 741	$ 722
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	300	270
Deferred income tax expense (benefit)	(1,003)	158
Realized losses on sales of:		
Available-for-sale investment securities	—	2
Change in fair value on equity securities	51	(3)
Depreciation	469	523
Amortization of intangible asset	32	32
Amortization of fair value adjustment to purchased loan portfolio	(34)	(34)
ESOP expense	27	23
Stock-based compensation	23	—
Amortization of deferred loan costs	52	46
Earnings on bank-owned life insurance	(53)	(59)
Change in pension plan assets	(834)	(779)
Net amortization of premiums and discounts on investment securities	143	121
Net change in accrued interest receivable	87	(105)
Net change in other assets and liabilities	1,472	1,237
Net cash provided by operating activities	**1,473**	**2,154**
INVESTING ACTIVITIES		
Purchase of investment securities available-for-sale	(2,577)	(22,968)
Net proceeds from the redemption of Federal Home Loan Bank stock	233	309
Proceeds from maturities and principal reductions of:		
Available-for-sale investment securities	1,112	2,721
Held-to-maturity investment securities	109	168
Proceeds from sale of:		
Available-for-sale investment securities	—	2,011
Real estate and repossessed assets acquired	27	55
Premises and equipment	—	69
Net change in loans	(3,206)	(2,048)
Purchase of premises and equipment	(202)	(209)
Net cash used in investing activities	**(4,504)**	**(19,892)**
FINANCING ACTIVITIES		
Net change in demand deposits, savings accounts, and money market accounts	2,120	2,313
Net change in time deposits	(2,615)	(1,398)
Payments on long-term borrowings	(3,532)	(5,550)
Repayment from subordinated debt offering	—	(1,235)
Purchase of common stock for directors retirement plan	(13)	—
Purchase of common stock of SERP	(31)	—
Net proceeds from stock offering and conversion	—	13,151
Effect of stock repurchase plan	(940)	—
Purchase of common stock for ESOP	—	(1,104)
Net cash provided by financing activities	**(5,011)**	**6,177**
Net change in cash and cash equivalents	(8,042)	(11,561)
Cash and cash equivalents at beginning of period	20,997	26,830
Cash and cash equivalents at end of period	**$ 12,955**	**$ 15,269**
Supplemental Cash Flows Information		
Cash paid during the period for:		
Interest	$ 699	$ 912
Transfer of loans to foreclosed real estate and repossessed assets	69	38

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

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"), which 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 federally chartered 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, in addition to seven full-service offices and one drive-through facility located Auburn, Farmington, Geneva, Medina, Phelps, Union Springs, and Waterloo, 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.

Interim Financial Statements

The interim condensed consolidated financial statements as of June 30, 2022, and for the three and six months ended June 30, 2022 and 2021, 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 six months ended June 30, 2022 are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2022, or any other period.

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, 2021 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. 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, 2021.

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 June 30, *(In thousands)*	**Unrealized (Losses) Gains on Securities Available-for-Sale**	**Defined Benefit Pension Plan**	**Accumulated Other Comprehensive Loss**
Balance, March 31, 2022	**$ (1,559)**	**$ (1,181)**	**$ (2,740)**
Other comprehensive loss before reclassifications	(2,484)	—	(2,484)
Net current-period other comprehensive loss	(2,484)	—	(2,484)
Balance, June 30, 2022	**$ (4,043)**	**$ (1,181)**	**$ (5,224)**
Balance, March 31, 2021	$ 710	$ (2,115)	$ (1,405)
Other comprehensive income before reclassifications	170	—	170
Amounts reclassified from AOCI to the income statement	2	22	24
Net current-period other comprehensive income	172	22	194
Balance, June 30, 2021	**$ 882**	**$ (2,093)**	**$ (1,211)**

Six Months Ended June 30, *(In thousands)*	**Unrealized (Losses) Gains on Securities Available-for-Sale**	**Defined Benefit Pension Plan**	**Accumulated Other Comprehensive Loss**
Balance, January 1, 2022	**$ 215**	**$ (1,181)**	**$ (966)**
Other comprehensive loss before reclassifications	(4,258)	—	(4,258)
Net current-period other comprehensive loss	(4,258)	—	(4,258)
Balance, June 30, 2022	**$ (4,043)**	**$ (1,181)**	**$ (5,224)**
Balance, January 1, 2021	**$ 723**	**$ (2,138)**	**$ (1,415)**
Other comprehensive income before reclassifications	157	—	157
Amounts reclassified from AOCI to the income statement	2	45	47
Net current-period other comprehensive income	159	45	204
Balance, June 30, 2021	**$ 882**	**$ (2,093)**	**$ (1,211)**

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

(In thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021	Affected Line Item in the Statement of Income
Available-for-sale securities:					
Realized loss on sale of securities	$ —	$ (2)	$ —	$ (2)	Net loss on sale of securities
	$ —	$ (2)	$ —	$ (2)	Net income
Defined benefit pension plan:					
Retirement plan net losses recognized in net periodic pension cost	$ —	$ 28	$ —	$ 57	Compensation and benefits
Tax effect	—	(6)	—	(12)	Income tax expense
	$ —	$ 22	$ —	$ 45	Net income

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. Diluted earnings per share is calculated in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as stock options) issued became vested during the period. Based on the calculation, there was no impact on earnings per share as the stock options were considered anti-dilutive for the three and six months ended June 30, 2022. On March 28, 2022, the Board of Directors authorized a stock repurchase program to repurchase approximately 83,300 shares, or approximately 3.4%, of the Company's outstanding common stock. On May 19, 2022, the 2022 Equity Incentive Plan (the "Plan") which include initial grants of restricted stock and stock options to outside directors, was approved by the Company's stockholders. On June 14, 2022, the Board of Directors of the Company approved restricted stock and stock option grants to senior management. An aggregate of 132,977 stock options and 53,191 shares of restricted stock were granted to directors and senior management during the period ended June 30, 2022. The grants to directors and senior management vest over a five-year period in equal annual installments, with the first installment vesting on the first anniversary date of the grant and succeeding installments on each anniversary thereafter, through 2027. 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.

The following tables set forth the calculation of basic and diluted earnings per share.

	Three Months Ended June 30,	
(In thousands, except per share data)	**2022**	**2021**
Net income available to common stockholders	$ 345	$ 369
Weighted-average common shares outstanding	2,333	2,347
Earnings per common share - basic and diluted	$ 0.15	$ 0.16

	Six Months Ended June 30,	
(In thousands, except per share data)	**2022**	**2021**
Net income available to common stockholders	$ 741	$ 722
Weighted-average common shares outstanding	2,342	2,354
Earnings per common share - basic and diluted	$ 0.32	$ 0.31

4. Securities

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

	At June 30, 2022			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed - US agency and Government Sponsored Enterprise ("GSE")	$ 28	$ —	$ (1)	$ 27
Corporate bonds	20,953	—	(3,226)	17,727
State and political subdivisions	17,047	5	(1,896)	15,156
Total securities available-for-sale	$ 38,028	$ 5	$ (5,123)	$ 32,910
Securities held-to-maturity:				
Residential mortgage-backed - US agency and GSEs	$ 1,016	$ 4	$ (16)	$ 1,004
Total securities held-to-maturity	$ 1,016	$ 4	$ (16)	$ 1,004
Equity securities:				
Large cap equity mutual fund	$ 37			$ 37
Other mutual funds	262			262
Total of equity securities	$ 299			$ 299

(in thousands)	At December 31, 2021 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed - US agency and GSEs	$ 33	$ 1	$ (1)	$ 33
Corporate bonds	18,589	266	(812)	18,043
State and political subdivisions	18,081	887	(69)	18,899
Total securities available-for-sale	$ 36,703	$ 1,154	$ (882)	$ 36,975
Securities held-to-maturity:				
Residential mortgage-backed - US agency and GSEs	$ 1,128	$ 25	$ (3)	$ 1,150
Total securities held-to-maturity	$ 1,128	$ 25	$ (3)	$ 1,150
Equity securities:				
Large cap equity mutual fund	$ 45			$ 45
Other mutual funds	305			305
Total of equity securities	$ 350			$ 350

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:

	At June 30, 2022					
	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	$ —	$ —	$ 21	$ (1)	$ 21	$ (1)
Corporate bonds	16,459	(2,725)	1,045	(501)	17,504	(3,226)
State and political subdivisions	10,729	(1,230)	3,609	(666)	14,338	(1,896)
Total securities available-for-sale	$ 27,188	$ (3,955)	$ 4,675	$ (1,168)	$ 31,863	$ (5,123)
Securities held-to-maturity:						
Residential mortgage-backed - US agency and GSEs	$ 363	$ (11)	$ 230	$ (5)	$ 593	$ (16)
Total securities held-to-maturity	$ 363	$ (11)	$ 230	$ (5)	$ 593	$ (16)

	At December 31, 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	$ —	$ —	$ 23	$ (1)	$ 23	$ (1)
Corporate bonds	9,925	(812)	—	—	9,925	(812)
State and political subdivisions	4,774	(69)	—	—	4,774	(69)
Total securities available-for-sale	$ 14,699	$ (881)	$ 23	$ (1)	$ 14,722	$ (882)
Securities held-to-maturity:						
Residential mortgage-backed - US agency and GSEs	$ —	$ —	$ 156	$ (3)	$ 156	$ (3)
Total securities held-to-maturity	$ —	$ —	$ 156	$ (3)	$ 156	$ (3)

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 income on a gross basis, including both the portion recognized in earnings as well as the portion recorded in other comprehensive income.

Sixteen government agency and government sponsored enterprise (“GSE”) residential mortgage-backed security holdings have an unrealized loss as of June 30, 2022. 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 $4,700 or less.

There are 105 bond issues held by the Bank that have an unrealized loss as of June 30, 2022. 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. Within this portfolio are seven bonds issued by corporate entities that have an aggregate loss of $1.9 million. These bonds have variable rates and reprice based upon the spread between intermediate Treasury bond yields and long-term Treasury bond yields and will respond positively with the steepening of the Treasury yield curve. We anticipate full recovery of our investment over time and have no plans to sell the securities in the near term.

Market values of the securities 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.

The following is a summary of the amortized cost and estimated fair values of debt securities at June 30, 2022, 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.

	At June 30, 2022			
	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	$ 433	$ 428	$ —	$ —
Due over one year through five years	3,089	2,983	—	—
Due over five through ten years	4,329	3,655	—	—
Due after ten years	30,149	25,817	—	—
	38,000	32,883	—	—
Residential mortgage-backed securities	28	27	1,016	1,004
Total	$ 38,028	$ 32,910	$ 1,016	$ 1,004

There were no gross realized gains or losses on sales and redemptions of available-for-sale securities for the three and six months ended June 30, 2022. There were no gross realized gains and $2,000 in losses on sales and redemptions of available-for-sale securities for the three and six months ended June 30, 2021. 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 $7,772,896 and $8,775,255 were pledged to collateralize certain deposit arrangements at June 30, 2022 and December 31, 2021 respectively.

5. Loans Receivable

Major classifications of loans are as follows:

(In thousands)	At June 30, 2022	At December 31, 2021
Originated Loans:		
Residential mortgages:		
One- to four-family	$ 109,047	$ 102,766
	109,047	102,766
Commercial loans:		
Real estate - nonresidential	16,174	19,734
Multi-family	449	456
Commercial business	11,287	12,366
	27,910	32,556
Consumer:		
Home equity and junior liens	10,118	8,840
Manufactured homes	49,247	47,717
Automobile	22,569	22,666
Student	2,042	2,096
Recreational vehicle	28,059	29,463
Other consumer	6,749	5,408
	118,784	116,190
Total originated loans	255,741	251,512
Net deferred loan costs	15,742	15,650
Less allowance for loan losses	(2,188)	(1,841)
Net originated loans	$ 269,295	$ 265,321

(In thousands)	At June 30, 2022	At December 31, 2021
Acquired Loans:		
Residential mortgages:		
One- to four-family	$ 9,407	$ 10,295
	9,407	10,295
Commercial loans:		
Real estate - nonresidential	1,655	1,744
Commercial business	118	162
	1,773	1,906
Consumer:		
Home equity and junior liens	711	861
Other consumer	62	84
	773	945
Total acquired loans	11,953	13,146
Net deferred loan costs	(57)	(60)
Fair value credit and yield adjustment	(252)	(287)
Net acquired loans	$ 11,644	$ 12,799

(In thousands)	At June 30, 2022	At December 31, 2021
Total Loans:		
Residential mortgages:		
One- to four-family	$ 118,454	$ 113,061
	118,454	113,061
Commercial loans:		
Real estate - nonresidential	17,829	21,478
Multi-family	449	456
Commercial business	11,405	12,528
	29,683	34,462
Consumer:		
Home equity and junior liens	10,829	9,701
Manufactured homes	49,247	47,717
Automobile	22,569	22,666
Student	2,042	2,096
Recreational vehicle	28,059	29,463
Other consumer	6,811	5,492
	119,557	117,135
Total Loans	267,694	264,658
Net deferred loan costs	15,685	15,590
Fair value credit and yield adjustment	(252)	(287)
Less allowance for loan losses	(2,188)	(1,841)
Loans receivable, net	$ 280,939	$ 278,120

The Company grants residential mortgage, commercial, and consumer loans to customers, principally located in the Finger Lakes Region of New York State and extending north to Orleans County. 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. Risk ratings are also reviewed when 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:

	At June 30, 2022				
(In thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Originated Loans:					
Residential mortgages:					
One- to four-family	$ 105,685	$ 1,043	$ 2,319	$ —	$ 109,047
	105,685	1,043	2,319	—	109,047
Commercial loans:					
Real estate - nonresidential	13,684	354	2,136	—	16,174
Multi-family	449	—	—	—	449
Commercial business	8,006	2,420	861	—	11,287
	22,139	2,774	2,997	—	27,910
Consumer:					
Home equity and junior liens	9,986	50	82	—	10,118
Manufactured homes	48,893	239	115	—	49,247
Automobile	22,406	84	79	—	22,569
Student	1,948	—	94	—	2,042
Recreational vehicle	27,971	17	71	—	28,059
Other consumer	6,698	51	—	—	6,749
	117,902	441	441	—	118,784
Total originated loans	$ 245,726	$ 4,258	$ 5,757	$ —	$ 255,741

(In thousands)	At June 30, 2022 Pass	Special Mention	Substandard	Doubtful	Total
Acquired Loans:					
Residential mortgages:					
One- to four-family	$ 9,173	$ 37	$ 197	$ —	$ 9,407
	9,173	37	197	—	9,407
Commercial loans:					
Real estate - nonresidential	1,655	—	—	—	1,655
Commercial business	118	—	—	—	118
	1,773	—	—	—	1,773
Consumer:					
Home equity and junior liens	676	35	—	—	711
Other consumer	62	—	—	—	62
	738	35	—	—	773
Total acquired loans	$ 11,684	$ 72	$ 197	$ —	$ 11,953

(In thousands)	At June 30, 2022 Pass	Special Mention	Substandard	Doubtful	Total
Total Loans:					
Residential mortgages:					
One- to four-family	$ 114,858	$ 1,080	$ 2,516	$ —	$ 118,454
	114,858	1,080	2,516	—	118,454
Commercial loans:					
Real estate - nonresidential	15,339	354	2,136	—	17,829
Multi-family	449	—	—	—	449
Commercial business	8,124	2,420	861	—	11,405
	23,912	2,774	2,997	—	29,683
Consumer:					
Home equity and junior liens	10,662	85	82	—	10,829
Manufactured homes	48,893	239	115	—	49,247
Automobile	22,406	84	79	—	22,569
Student	1,948	—	94	—	2,042
Recreational vehicle	27,971	17	71	—	28,059
Other consumer	6,760	51	—	—	6,811
	118,640	476	441	—	119,557
Total loans	$ 257,410	$ 4,330	$ 5,954	$ —	$ 267,694

	At December 31, 2021				
(In thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Originated Loans:					
Residential mortgages:					
	99,294	1,110	2,362	—	102,766
Real estate - nonresidential	14,464	3,045	2,225	—	19,734
	456	—	—	—	456
Commercial business	10,256	1,112	998	—	12,366
	25,176	4,157	3,223	—	32,556
Consumer:					
Home equity and junior liens	8,753	41	46	—	8,840
Manufactured homes	47,717	—	—	—	47,717
Automobile	22,558	64	44	—	22,666
Student	2,096	—	—	—	2,096
Recreational vehicle	29,424	39	—	—	29,463
Other consumer	5,376	32	—	—	5,408
	115,924	176	90	—	116,190
Total originated loans	$ 240,394	$ 5,443	$ 5,675	$ —	$ 251,512

	At December 31, 2021				
(In thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Acquired Loans:					
Residential mortgages:					
One- to four-family	$ 10,038	$ 42	$ 215	$ —	$ 10,295
	10,038	42	215	—	10,295
Commercial loans:					
Real estate - nonresidential	1,744	—	—	—	1,744
Commercial business	162	—	—	—	162
	1,906	—	—	—	1,906
Consumer:					
Home equity and junior liens	841	—	20	—	861
Other consumer	84	—	—	—	84
	925	—	20	—	945
Total acquired loans	$ 12,869	$ 42	$ 235	$ —	$ 13,146

(In thousands)	At December 31, 2021 Pass	Special Mention	Substandard	Doubtful	Total
Total Loans:					
Residential mortgages:					
One- to four-family	$ 109,332	$ 1,152	$ 2,577	$ —	$ 113,061
	109,332	1,152	2,577	—	113,061
Commercial loans:					
Real estate - nonresidential	16,208	3,045	2,225	—	21,478
Multi-family	456	—	—	—	456
Commercial business	10,418	1,112	998	—	12,528
	27,082	4,157	3,223	—	34,462
Consumer:					
Home equity and junior liens	9,594	41	66	—	9,701
Manufactured homes	47,717	—	—	—	47,717
Automobile	22,558	64	44	—	22,666
Student	2,096	—	—	—	2,096
Recreational vehicle	29,424	39	—	—	29,463
Other consumer	5,460	32	—	—	5,492
	116,849	176	110	—	117,135
Total loans	$ 253,263	$ 5,485	$ 5,910	$ —	$ 264,658

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.

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

	At June 30, 2022					
(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	$ 2,884	$ 806	$ 2,108	$ 5,798	$ 103,249	$ 109,047
	2,884	806	2,108	5,798	103,249	109,047
Commercial loans:						
Real estate - nonresidential	—	—	416	416	15,758	16,174
Multi-family	—	—	—	—	449	449
Commercial business	—	50	118	168	11,119	11,287
	—	50	534	584	27,326	27,910
Consumer loans:						
Home equity and junior liens	74	19	82	175	9,943	10,118
Manufactured homes	640	239	115	994	48,253	49,247
Automobile	145	84	79	308	22,261	22,569
Student	—	—	94	94	1,948	2,042
Recreational vehicle	675	17	71	763	27,296	28,059
Other consumer	90	51	—	141	6,608	6,749
	1,624	410	441	2,475	116,309	118,784
Total originated loans	$ 4,508	$ 1,266	$ 3,083	$ 8,857	$ 246,884	$ 255,741

(In thousands)	At June 30, 2022 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	$ 149	$ 72	$ 197	$ 418	$ 8,989	
	149	72	197	418	8,989	9,407
Real estate - nonresidential	—	—	—	—	1,655	1,655
	—	—	—	—	1,773	1,773
Consumer loans:						
Home equity and junior liens	—	35	—	35	676	711
Other consumer	—	—	—	—	62	62
	—	35	—	35	738	773
Total acquired loans	$ 149	$ 107	$ 197	$ 453	$ 11,500	$ 11,953

(In thousands)	At June 30, 2022 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	$ 3,033	$ 878	$ 2,305	$ 6,216	$ 112,238	$ 118,454
	3,033	878	2,305	6,216	112,238	118,454
Commercial loans:						
Real estate - nonresidential	—	—	416	416	17,413	17,829
Multi-family	—	—	—	—	449	449
Commercial business	—	50	118	168	11,237	11,405
	—	50	534	584	29,099	29,683
Consumer loans:						
Home equity and junior liens	74	54	82	210	10,619	10,829
Manufactured homes	640	239	115	994	48,253	49,247
Automobile	145	84	79	308	22,261	22,569
Student	—	—	94	94	1,948	2,042
Recreational vehicle	675	17	71	763	27,296	28,059
Other consumer	90	51	—	141	6,670	6,811
	1,624	445	441	2,510	117,047	119,557
Total loans	$ 4,657	$ 1,373	$ 3,280	$ 9,310	$ 258,384	$ 267,694

	At December 31, 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	$ 3,137	$ 757	$ 2,362	$ 6,256	$ 96,510	$ 102,766
	3,137	757	2,362	6,256	96,510	102,766
Commercial loans:						
Real estate - nonresidential	389	—	416	805	18,929	19,734
Multi-family	—	—	—	—	456	456
Commercial business	—	8	161	169	12,197	12,366
	389	8	577	974	31,582	32,556
Consumer loans:						
Home equity and junior liens	149	31	46	226	8,614	8,840
Manufactured homes	922	615	—	1,537	46,180	47,717
Automobile	168	64	44	276	22,390	22,666
Student	95	—	—	95	2,001	2,096
Recreational vehicle	605	39	—	644	28,819	29,463
Other consumer	75	32	—	107	5,301	5,408
	2,014	781	90	2,885	113,305	116,190
Total originated loans	$ 5,540	$ 1,546	$ 3,029	$ 10,115	$ 241,397	$ 251,512

	At December 31, 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
Acquired Loans:						
Residential mortgage loans:						
One- to four-family	$ 318	$ 68	$ 215	$ 601	$ 9,694	$ 10,295
	318	68	215	601	9,694	10,295
Commercial loans:						
Real estate - nonresidential	—	—	—	—	1,744	1,744
Commercial business	27	—	—	27	135	162
	27	—	—	27	1,879	1,906
Consumer loans:						
Home equity and junior liens	—	—	20	20	841	861
Other consumer	—	—	—	—	84	84
	—	—	20	20	925	945
Total acquired loans	$ 345	$ 68	$ 235	$ 648	$ 12,498	$ 13,146

(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
	At December 31, 2021					
Total Loans:						
Residential mortgage loans:						
One- to four-family	$ 3,455	$ 825	$ 2,577	$ 6,857	$ 106,204	$ 113,061
	3,455	825	2,577	6,857	106,204	113,061
Commercial loans:						
Real estate - nonresidential	389	—	416	805	20,673	21,478
Multi-family	—	—	—	—	456	456
Commercial business	27	8	161	196	12,332	12,528
	416	8	577	1,001	33,461	34,462
Consumer loans:						
Home equity and junior liens	149	31	66	246	9,455	9,701
Manufactured homes	922	615	—	1,537	46,180	47,717
Automobile	168	64	44	276	22,390	22,666
Student	95	—	—	95	2,001	2,096
Recreational vehicle	605	39	—	644	28,819	29,463
Other consumer	75	32	—	107	5,385	5,492
	2,014	781	110	2,905	114,230	117,135
Total loans	$ 5,885	$ 1,614	$ 3,264	$ 10,763	$ 253,895	$ 264,658

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

(In thousands)	At June 30, 2022	At December 31, 2021
Residential mortgage loans:		
One- to four-family	$ 2,305	$ 2,577
	2,305	2,577
Commercial loans:		
Real estate - nonresidential	416	416
Commercial business	118	161
	534	577
Consumer loans:		
Home equity and junior liens	82	46
Manufactured homes	115	—
Automobile	79	44
Student	94	—
Recreational vehicle	71	—
	441	110
Total non-accrual loans	$ 3,280	$ 3,264

There were no loans past due more than ninety days and still accruing interest at June 30, 2022 and December 31, 2021.

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.

There were no loans that had been modified as a TDR during the three and six months ended June 30, 2022 and for the three months ended June 30, 2021. There were seven loans that had been modified as a TDR during the six months ended June 30, 2021. During the six months ended June 30, 2022 and 2021, there were no defaults on TDRs that were modified within the twelve months prior to the default date. A default for these purposes is defined as a loan that reaches 90 days past due.

The table below details loans that have been modified as a troubled debt restructuring for the six months ended June 30, 2021.

	Six Months Ended June 30, 2021						
	Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment		Current Outstanding Recorded Investment
One- to four-family residential mortgages	4	$	336	$	336	$	—
Commercial business	3		46		46		—

The TDR loans that were modified during the six months ended June 30, 2021 paid off during the three months ended June 30, 2022.

At June 30 2022, there were nine TDR 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. There were two TDRs totaling $14,000 in non-accrual status due to delinquency greater than 90 days. All other TDR loans continue to accrue interest.

At December 31, 2021, the Company had 15 TDR loans with an outstanding balance of $3.0 million in the portfolio.

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:

	At June 30, 2022		
(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
One- to four-family residential mortgages	$ 2,445	$ 2,525	$ —
Commercial real estate - nonresidential	416	516	—
Commercial business	113	126	—
Home equity and junior liens	82	82	—
With an allowance recorded:			
One- to four-family residential mortgages	72	72	1
Total:			
One- to four-family residential mortgages	2,517	2,597	1
Commercial real estate - nonresidential	416	516	—
Commercial business	113	126	—
Home equity and junior liens	82	82	—
	$ 3,128	$ 3,321	$ 1

	At December 31, 2021		
(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
One- to four-family residential mortgages	$ 2,352	$ 2,423	$ —
Commercial real estate - nonresidential	416	516	—
Commercial business	73	73	—
Home equity and junior liens	67	67	—
With an allowance recorded:			
One- to four-family residential mortgages	224	224	7
Commercial business	55	55	12
Total:			
One- to four-family residential mortgages	2,576	2,647	7
Commercial real estate - nonresidential	416	516	—
Commercial business	128	128	12
Home equity and junior liens	67	67	—
	$ 3,187	$ 3,358	$ 19

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

(In thousands)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
One- to four-family residential mortgages	$ 2,518	$ 2,737	$ 2,527	$ 2,750
Commercial real estate - nonresidential	416	1,217	416	1,218
Commercial business	114	509	121	519
Home equity and junior liens	82	139	82	140
Other consumer	—	3	—	3
	3,130	$ 4,605	3,146	$ 4,630

The following table presents interest income recognized on impaired loans:

(In thousands)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
One- to four-family residential mortgages	$ 13	$ 20	$ 31	$ 44
Commercial real estate - nonresidential	—	10	—	10
Commercial business	—	1	1	2
	$ 13	$ 31	$ 32	$ 56

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

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 June 30, 2022					
(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	$ 739	$ —	$ 644	$ 3	$ —	$ 209
Charge-offs	(26)	—	—	—	—	(12)
Recoveries	1	—	—	—	—	—
Provision (credit) for loan losses	(24)	—	(128)	(1)	—	43
Ending balance	$ 690	$ —	$ 516	$ 2	$ —	$ 240

	Three Months Ended June 30, 2022 (cont'd)							
(In thousands)	Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
Allowance for loan losses:								
								$ 1,974
Charge-offs	—	—	—	—	—	—	—	(38)
								102
Provision (credit) for loan losses	6	(12)	(80)	(2)	347	1	—	150
Ending balance	$ 49	$ 104	$ 126	$ 62	$ 347	$ 52	$	$ 2,188

	Three Months Ended June 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	$ 540	$ —	$ 388	$ 11	$ —	$ 530
Charge-offs	(74)	—	—	—	—	—
Recoveries	1	—	16	6	—	—
Provision (credit) for loan losses	144	—	(28)	(15)	—	33
Ending balance	$ 611	$ —	$ 376	$ 2	$ —	$ 563

(In thousands)	Three Months Ended June 30, 2021 (cont'd) Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
Allowance for loan losses:								
		$ 81	$ 137	$ 71	$	$ 75	$	$ 1,881
Charge-offs	—	—	(4)	—	—	(3)	—	(81)
Recoveries			15			3		41
Provision (credit) for loan losses	(2)	1	(5)	(2)	—	9	—	135
Ending balance	$ 46	$ 82	$ 143	$ 69	$	$ 84	$	$ 1,976

(In thousands)	Six Months Ended June 30, 2022 One- to four-family residential	Construction residential mortgage	Real estate nonresidential	Multi-family	Construction commercial	Commercial business
Allowance for loan losses:						
Beginning balance	$ 688	$ —	$ 630	$ 2	$ —	$ 161
Charge-offs	(36)	—	—	—	—	(12)
Recoveries	16	—	—	—	—	—
Provision (credit) for loan losses	22	—	(114)	—	—	91
Ending balance	$ 690	$ —	$ 516	$ 2	$ —	$ 240
Ending balance: related to loans individually evaluated for impairment	$ 1	$ —	$ —	$ —	$ —	$ —
Ending balance: related to loans collectively evaluated for impairment	$ 689	$ —	$ 516	$ 2	$ —	$ 240
Loans receivable:						
Ending balance	$ 118,454	$ —	$ 17,829	$ 449	$ —	$ 11,405
Ending balance: individually evaluated for impairment	$ 2,517	$ —	$ 416	$ —	$ —	$ 113
Ending balance: collectively evaluated for impairment	$ 115,937	$ —	$ 17,413	$ 449	$ —	$ 11,292

	Six Months Ended June 30, 2022 (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	$ 39	$ 102	$ 107	$ 64	$ —	$ 48	$ —	$ 1,841
Charge-offs	—	—	(40)	—	—	—	—	(88)
Recoveries	—	—	116	1	—	2	—	135
Provision (credit) for loan losses	10	2	(57)	(3)	347	2	—	300
Ending balance	$ 49	$ 104	$ 126	$ 62	$ 347	$ 52	$ —	$ 2,188
Ending balance: related to loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1
Ending balance: related to loans collectively evaluated for impairment	$ 49	$ 104	$ 126	$ 62	$ 347	$ 52	$ —	$ 2,187
Loans receivable:								
Ending balance	$ 10,829	$ 49,247	$ 22,569	$ 2,042	$ 28,059	$ 6,811	$ —	$ 267,694
Ending balance: individually evaluated for impairment	$ 82	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,128
Ending balance: collectively evaluated for impairment	$ 10,747	$ 49,247	$ 22,569	$ 2,042	$ 28,059	$ 6,811	$ —	$ 264,566

	Six Months Ended June 30, 2021					
(In thousands)	One- to four-family residential	Construction residential mortgage	Real estate nonresidential	Multi-family	Construction commercial	Commercial business
Allowance for loan losses:						
Beginning balance	$ 457	$ —	$ 319	$ 26	$ —	$ 617
Charge-offs	(77)	—	(51)	—	—	(17)
Recoveries	2	—	16	12	—	7
Provision (credit) for loan losses	229	—	92	(36)	—	(44)
Ending balance	$ 611	$ —	$ 376	$ 2	$ —	$ 563
Ending balance: related to loans individually evaluated for impairment	$ 15	$ —	$ —	$ —	$ —	$ 194
Ending balance: related to loans collectively evaluated for impairment	$ 596	$ —	$ 376	$ 2	$ —	$ 369
Loans receivable:						
Ending balance	$ 119,557	$ —	$ 22,677	$ 405	$ —	$ 18,564
Ending balance: individually evaluated for impairment	$ 2,613	$ —	$ 862	$ —	$ —	$ 502
Ending balance: collectively evaluated for impairment	$ 116,944	$ —	$ 21,815	$ 405	$ —	$ 18,062

	Six Months Ended June 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)	—	(6)	—	—	(36)	—	(189)
Recoveries	—	—	25	1	7	4	—	74
Provision (credit) for loan losses	2	6	(3)	(1)	(7)	32	—	270
Ending balance	$ 46	$ 82	$ 143	$ 69	$ —	$ 84	$ —	$ 1,976
Ending balance: related to loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ 211
Ending balance: related to loans collectively evaluated for impairment	$ 46	$ 82	$ 143	$ 69	$ —	$ 82	$ —	$ 1,765
Loans receivable:								
Ending balance	$ 9,896	$ 48,055	$ 22,964	$ 2,258	$ 25,291	$ 5,169	$ —	$ 274,836
Ending balance: individually evaluated for impairment	$ 139	$ —	$ —	$ —	$ —	$ 3	$ —	$ 4,119
Ending balance: collectively evaluated for impairment	$ 9,757	$ 48,055	$ 22,964	$ 2,258	$ 25,291	$ 5,166	$ —	$ 270,717

	Year Ended December 31, 2021					
(In thousands)	One- to four-family residential	Construction residential mortgage	Real estate nonresidential	Multi-family	Construction commercial	Commercial business
Allowance for loan losses:						
Beginning balance	$ 457	$ —	$ 319	$ 26	$ —	$ 617
Charge-offs	(117)	—	(386)	—	—	(84)
Recoveries	28	—	16	12	—	7
Provision (credit) for loan losses	320	—	681	(36)	—	(379)
Ending balance	$ 688	$ —	$ 630	$ 2	$ —	$ 161
Ending balance: related to loans individually evaluated for impairment	$ 7	$ —	$ —	$ —	$ —	$ 12
Ending balance: related to loans collectively evaluated for impairment	$ 681	$ —	$ 630	$ 2	$ —	$ 149
Loans receivable:						
Ending balance	$ 113,061	$ —	$ 21,478	$ 456	$ —	$ 12,528
Ending balance: individually evaluated for impairment	$ 2,576	$ —	$ 416	$ —	$ —	$ 128
Ending balance: collectively evaluated for impairment	$ 110,485	$ —	$ 21,062	$ 456	$ —	$ 12,400

(In thousands)	Year Ended December 31, 2021 (cont'd) 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)	—	(12)	—	(1)	(45)	—	(647)
Recoveries	—	—	48	3	8	5	—	127
Provision (credit) for loan losses	(5)	26	(56)	(8)	(7)	4	—	540
Ending balance	$ 39	$ 102	$ 107	$ 64	$ —	$ 48	$ —	$ 1,841
Ending balance: related to loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 19
Ending balance: related to loans collectively evaluated for impairment	$ 39	$ 102	$ 107	$ 64	$ —	$ 48	$ —	$ 1,822
Loans receivable:								
Ending balance	$ 9,701	$ 47,717	$ 22,666	$ 2,096	$ 29,463	$ 5,492	$ —	$ 264,658
Ending balance: individually evaluated for impairment	$ 67	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,187
Ending balance: collectively evaluated for impairment	$ 9,634	$ 47,717	$ 22,666	$ 2,096	$ 29,463	$ 5,492	$ —	$ 261,471

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' net periodic pension benefit:

Generations Bank Plan:	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
(In thousands)	**2022**	**2021**	**2022**	**2021**
Net periodic expenses recognized in income:				
Service cost	$ 108	$ 114	$ 216	$ 229
Interest cost	103	105	205	210
Expected return on plan assets	(384)	(370)	(768)	(740)
Amortization of net losses	—	29	—	57
Net periodic pension benefit	$ (173)	$ (122)	$ (347)	$ (244)

Medina Savings and Loan Plan:	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
(In thousands)	**2022**	**2021**	**2022**	**2021**
Net periodic expenses recognized in income:				
Service cost	$ 8	$ 7	$ 16	$ 15
Interest cost	27	33	55	65
Expected return on plan assets	(115)	(116)	(230)	(232)
Net periodic pension benefit	$ (80)	$ (76)	$ (159)	$ (152)

8. Stock-Based Compensation

A summary of the Company's stock option activity and related information for its option plans for the three and six months ended June 30, 2022 is as follows:

	Three Months Ended June 30, 2022		
	Options		Weighted Average Exercise Price Per Share
Outstanding at beginning of year	—	$	—
Grants	132,977		11.61
Exercised	—		—
Outstanding at quarter end	132,977	$	11.61
Exercisable at quarter end	—	$	—

	Six Months Ended June 30, 2022		
	Options		Weighted Average Exercise Price Per Share
Outstanding at beginning of year	—	$	—
Grants	132,977		11.61
Exercised	—		—
Outstanding at quarter end	132,977	$	11.61
Exercisable at quarter end	—	$	—

There were no stock options granted for the three and six month periods ended June 30, 2021.

The grants to senior management and directors vest over a five-year period in equal annual installments, with the first installment vesting on the first anniversary date of the grant and succeeding installments on each anniversary thereafter, through 2027.

The compensation expense of the awards is based on the fair value of the instruments on the date of grant. The Company recorded compensation expense in the amount of $11,000 for the three and six months ended June 30, 2022.

An aggregate of 53,191 shares of restricted stock were granted to directors and senior management during the period ended June 30, 2022. These shares of restricted stock vest in the same manner as the stock options described above. The Company recorded compensation expense in the amount of $12,000 for the three and six months ended June 30, 2022.

9. 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).

Under applicable regulation, 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022						
Common Equity Tier 1 Capital	$ 40,775	14.45 %	$ 12,697	4.50 %	$ 18,340	6.50 %
Total Capital (to Risk-Weighted Assets)	$ 42,963	15.23 %	$ 22,572	8.00 %	$ 28,216	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 40,775	14.45 %	$ 16,929	6.00 %	$ 22,572	8.00 %
Tier 1 Capital (to Total Adjusted Assets)	$ 40,775	11.02 %	$ 14,801	4.00 %	$ 18,501	5.00 %
As of December 31, 2021:						
Common Equity Tier 1 Capital	$ 41,287	14.82 %	$ 12,534	4.50 %	$ 18,104	6.50 %
Total Capital (to Risk-Weighted Assets)	$ 43,128	15.48 %	$ 22,282	8.00 %	$ 27,853	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 41,287	14.82 %	$ 16,712	6.00 %	$ 22,282	8.00 %
Tier 1 Capital (to Total Adjusted Assets)	$ 41,287	10.99 %	$ 15,034	4.00 %	$ 18,792	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 June 30, 2022 and December 31, 2021, 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 5.00%, 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 10.00%.

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 8.00% and a total capital ratio of 12.00%. The individual minimum capital ratios will remain in effect until terminated, modified, or suspended in writing by the OCC.

10. 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 June 30, 2022.

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

(In thousands)	At June 30, 2022	At December 31, 2021
Commitments to grant loans	$ 9,771	$ 3,524
Unfunded commitments under lines of credit	18,834	15,568

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 June 30, 2022 with fixed interest rates amounted to approximately $11.6 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at June 30, 2022 with variable interest rates amounted to approximately $17.0 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2021 with fixed interest rates amounted to approximately $3.8 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2021 with variable interest rates amounted to approximately $15.3 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 $9.2 million at June 30, 2022. 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 $707,000 at June 30, 2022. 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 was $90,000 at June 30, 2022. 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.

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 $0 and $19,000 for the six-month periods ended June 30, 2022 and 2021, respectively, and $19,000 for the year ending December 31, 2021.

There are no future minimum lease commitments at June 30, 2022.

11. 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 June 30,		Six Months Ended June 30,	
(In thousands)	2022	2021	2022	2021
Service charges on deposit accounts	$ 158	$ 131	$ 308	$ 266
Debit card interchange and surcharge income	194	232	382	443
Insurance commissions	101	201	298	375
Loan servicing fees	72	33	107	59
	$ 525	$ 597	$ 1,095	$ 1,143

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.

Insurance commissions: 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 which are subject to the Management Agreement with the Northwoods Corporation ("Northwoods") which became effective on April 1, 2022. 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.

12. 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).

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 June 30, 2022 and December 31, 2021.

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 June 30, 2022 and December 31, 2021.

<u>Cash and due from banks</u>: The carrying amounts of cash and due from banks approximate fair values.

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

<u>Investment securities</u>: 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.

<u>Sensitivity of significant unobservable inputs</u>: 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.

<u>Municipal bonds</u>: 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. 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).

<u>Federal Home Loan Bank ("FHLB") stock</u>: 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 receivable: 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.

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

	At June 30, 2022				
(In thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Financial assets:					
Cash and cash equivalents	$ 12,955	$ 12,955	$ —	$ —	$ 12,955
Interest-bearing time deposits in banks	650	—	650	—	650
Securities available-for-sale	32,910	—	31,058	1,852	32,910
Securities held-to-maturity	1,016	—	1,004	—	1,004
Equity securities	299	299	—	—	299
Loans receivable	280,939	—	—	279,948	279,948
FHLB stock	1,217	—	1,217	—	1,217
Accrued interest receivable	1,162	1,162	—	—	1,162
Financial liabilities:					
Deposits	$ 311,554	$ 94,088	$ —	$ 208,733	$ 302,821
Long-term borrowings	14,228	—	19,623	—	19,623
Accrued interest payable	37	37	—	—	37

	At December 31, 2021				
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$ 20,997	$ 20,997	$ —	$ —	$ 20,997
Interest-bearing time deposits in banks	650	—	650	—	650
Securities available-for-sale	36,975	—	33,965	3,010	36,975
Securities held-to-maturity	1,128	—	1,150	—	1,150
Equity securities	350	350	—	—	350
Loans receivable	278,120	—	—	281,502	281,502
FHLB stock	1,450	—	1,450	—	1,450
Accrued interest receivable	1,249	1,249	—	—	1,249
Financial liabilities:					
Deposits	$ 312,049	$ 94,709	$ —	$ 219,261	$ 313,970
Long-term borrowings	17,760	—	21,985	—	21,985
Accrued interest payable	35	35	—	—	35

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:

	At June 30, 2022			
(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	$ —	$ 27	$ —	$ 27
Corporate bonds	—	17,727	—	17,727
Municipal bonds	—	13,304	1,852	15,156
Equity investment securities:				
Large cap equity mutual fund	37	—	—	37
Other mutual funds	262	—	—	262
Total investment securities	$ 299	$ 31,058	$ 1,852	$ 33,209

	At December 31, 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	$ —	$ 33	$ —	$ 33
Corporate bonds	—	18,043	—	18,043
Municipal bonds	—	15,889	3,010	18,899
Equity investment securities:				
Large cap equity mutual fund	45	—	—	45
Other mutual funds	305	—	—	305
Total investment securities	$ 350	$ 33,965	$ 3,010	$ 37,325

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, 2022	$ 3,010
Total gains realized/unrealized:	
Included in other comprehensive loss	(236)
Purchases	85
Principal payments/maturities	(1,007)
Balance - June 30, 2022	$ 1,852

(In thousands)	Investment Securities
Balance - January 1, 2021	$ 3,174
Total gains realized/unrealized:	
Included in other comprehensive income	197
Purchases	826
Principal payments/maturities	(1,017)
Balance - June 30, 2021	$ 3,180

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 June 30, 2022			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ —	$ —	$ 72	$ 72
Foreclosed real estate & repossessed assets	—	—	69	69

	At December 31, 2021			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ —	$ —	$ 279	$ 279
Foreclosed real estate & repossessed assets	—	—	27	27

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

The following table presents additional quantitative information about assets measured at fair value on a recurring basis and for which Level 3 inputs were used to determine fair value:

	Quantitative Information about Level 3 Fair Value Measurements		
	Valuation Techniques	Unobservable Input	Range (Weighted Avg.)
Investment type-			
Other Investments	Scheduled principal and interest payments	Cost to Sell	0%
	Carrying value		100%

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a nonrecurring basis at June 30, 2022 and December 31, 2021:

	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)%
Commercial business		Changes in property condition	10% - 20% (15)%
		Costs to Sell	5% - 15% (10)%
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.

13. Segment Information

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

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 and service fees on deposit accounts. 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. Pursuant to a Management Agreement, which became effective on April 1, 2022, personnel and office support charges were assumed by Northwoods.

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 rent and support charges for using the assets and technology of the Bank.

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

	Three Months Ended June 30,							
	2022				2021			
(In thousands)	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total
Net interest income	$ 2,757	$ —	$ 65	$ 2,822	$ 2,866	$ —	$ 63	$ 2,929
Provision for loan losses	150	—	—	150	135	—	—	135
Net interest income after provision for loan losses	2,607	—	65	2,672	2,731	—	63	2,794
Total noninterest income	469	98	—	567	508	212	—	720
Compensation and benefits	(1,144)	(19)	—	(1,163)	(1,252)	(90)	—	(1,342)
Other noninterest expense	(1,642)	(3)	(19)	(1,664)	(1,661)	(31)	(32)	(1,724)
Income before income tax expense	290	76	46	412	326	91	31	448
Income tax expense	60	—	7	67	73	—	6	79
Net income	$ 230	$ 76	$ 39	$ 345	$ 253	$ 91	$ 25	$ 369

	Six Months Ended June 30,							
	2022				2021			
(In thousands)	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total
Net interest income	$ 5,592	$ —	$ 125	$ 5,717	$ 5,646	$ —	$ 126	$ 5,772
Provision for loan losses	300	—	—	300	270	—	—	270
Net interest income after provision for loan losses	5,292	—	125	5,417	5,376	—	126	5,502
Total noninterest income	890	293	—	1,183	947	385	—	1,332
Compensation and benefits	(2,293)	(105)	—	(2,398)	(2,410)	(191)	—	(2,601)
Other noninterest expense	(3,246)	(33)	(40)	(3,319)	(3,222)	(68)	(63)	(3,353)
Income before income tax expense (benefit)	643	155	85	883	691	126	63	880
Income tax expense (benefit)	128	—	14	142	145	—	13	158
Net income	$ 515	$ 155	$ 71	$ 741	$ 546	$ 126	$ 50	$ 722

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

(In thousands)	At June 30, 2022	At December 31, 2021
Total assets for reportable segments	$ 384,019	$ 395,225
Elimination of intercompany balances	(14,347)	(16,276)
Consolidated total assets	$ 369,672	$ 378,949

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

14. Recently Issued Accounting Pronouncements

ASU No. 2016-13

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 Board of Directors 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.

ASU No. 2022-02

In March 2022, the FASB issued ASU No. 2022-02, amendments related to Troubled Debt Restructurings (TDRs) for all entities after they adopt 2016-13 and amendments related to vintage disclosures that affect public business entities with investments in financing receivables, under Financial Instruments-Credit Losses (Topic 326). The amendments in the accounting guidance for TDRs by credits eliminates the recognition and measurement guidance for TDRs in Subtopic 310-40. The effective dates for the amendments in this Update are the same as the effective dates in Update 2016-13. The amendments in this update should be applied prospectively, except for the transition method related to the recognition and measurement of TDRs, an entity as the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption.

ASU No. 2022-03

In June 2022, the FASB issued ASU No. 2022-03, to update guidance intended to increase the comparability of financial information across reporting entities that have investments in equity securities measured at fair value that are subject to contractual restrictions preventing the sale of those securities. The updated guidance clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, as a result, should not be considered in measuring fair value. In addition, new disclosures are required about the nature of the restrictions and their remaining duration. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2023, with early adoption permitted. The Company does not expect the adoption of this guidance to impact its condensed consolidated financial statements.

15. Subsequent Events

The Company has evaluated subsequent events through August 5, 2022, which is the date the consolidated financial statements were issued.

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 six months ended June 30, 2022 and 2021 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, 2021.

The information for the three and six months ended June 30, 2022 and 2021 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 six months ended June 30, 2022 are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2022 or any other period.

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.

Comparison of Financial Condition at June 30, 2022 and December 31, 2021

Total Assets. Total assets decreased $9.3 million, or 2.4%, to $369.7 million at June 30, 2022 from $378.9 million at December 31, 2021. The decrease resulted primarily from decreases in cash and cash equivalents of $8.0 million and investment securities available-for-sale of $4.1 million, partially offset by increases in net loans of $2.8 million and pension plan assets of $834,000.

Cash and Cash Equivalents. Cash and cash equivalents decreased $8.0 million, or 38.3%, to $13.0 million at June 30, 2022 from $21.0 million at December 31, 2021 as a result of increased loan originations along with repayments of our FHLB advances.

Investment Securities Available-for-sale. Investment securities available-for-sale decreased $4.1 million, or 11.0%, to $32.9 million at June 30, 2022 from $37.0 million at December 31, 2021. The decrease in investment securities available-for-sale was primarily attributable to a $5.4 million decrease in the fair market value and bond maturities and principal repayments of $1.1 million, partially offset by the purchase of $2.6 million of bonds.

Net Loans. Net loans increased $2.8 million, or 1.0%, to $280.9 million at June 30, 2022 from $278.1 million at December 31, 2021. The increase resulted from increases in one- to four-family residential real estate loans of $5.4 million, or 4.8%, manufactured home loans of $1.5 million, or 3.2%, other consumer loans of $1.3 million, or 24.0%, and home equity and junior liens of $1.1 million, or 11.6%, partially offset by decreases in nonresidential loans of $3.6 million, or 17.0%, recreational vehicle loans of $1.4 million, or 4.8%, and commercial business loans of $1.1 million, or 9.0%.

Net deferred fees increased $95,000, or 0.6%, during the six months ended June 30, 2022, 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 residential mortgage, automobile, manufactured home, and recreational vehicle loans. During the six months ended June 30, 2022, we purchased $10.2 million of residential mortgage loans, $5.2 million of automobile loans, $4.7 million of manufactured home loans, and $866,000 of recreational vehicle loans.

Pension Plan Assets. Pension plan assets increased $834,000, or 7.5%, to $11.9 million at June 30, 2022 from $11.1 million at December 31, 2021. The increase resulted from estimated returns on pension assets of $998,000 and employer contributions of $328,000, partially offset by estimated benefits paid of $232,000 and interest costs of $260,000.

Deposits. Deposits decreased $495,000, or 0.2%, to $311.6 million at June 30, 2022 from $312.0 million at December 31, 2021. Noninterest-bearing deposits decreased $256,000, or 0.4%, to $57.3 million at June 30, 2022 from $57.5 million at December 31, 2021. Interest-bearing accounts decreased $239,000, or 0.1%, to $254.3 million at June 30, 2022 from $254.5 million at December 31, 2021. The largest decrease in interest-bearing deposits was in certificates of deposit which decreased $2.6 million, or 3.5%, to $73.1 million at June 30, 2022 from $75.7 million at December 31, 2021 due to an increase in non-renewal of accounts at maturity. Interest-bearing checking accounts decreased $364,000, or 1.0%, to $36.8 million at June 30, 2022 from $37.2 million at December 31, 2021. Savings accounts increased $1.5 million, or 1.3%, to $111.7 million at June 30, 2022 from $110.3 million at December 31, 2021. Additionally, money market accounts increased $1.3 million, or 4.0%, to $32.6 million at June 30, 2022 from $31.3 million at December 31, 2021.

Municipal deposits held at Generations Commercial Bank decreased $678,000, or 10.8%, to $5.6 million at June 30, 2022 from $6.3 million at December 31, 2021.

Federal Home Loan Bank Advances. Federal Home Loan Bank advances decreased $3.5 million, or 19.9%, to $14.2 million at June 30, 2022 from $17.8 million at December 31, 2021 as a result of repayments.

Total Equity. Total equity decreased $4.5 million, or 10.2%, to $39.0 million at June 30, 2022 from $43.5 million at December 31, 2021. The decrease was primarily due to an increase in accumulated other comprehensive loss of $4.3 million as a result of a decrease in the fair market value of our investment securities available-for-sale and a decrease of $940,000 due to stock repurchases, offset in part by net income of $741,000 during the six months ended June 30, 2022.

Comparison of Operating Results for the Three Months Ended June 30, 2022 and 2021

General. Net income for the three months ended June 30, 2022 was $345,000 as compared to $369,000 for the three months ended June 30, 2021, a decrease of $24,000, or 6.5%. The decrease was due to a $107,000 decrease in net interest income, a $153,000 decrease in noninterest income, and a $15,000 increase in provision for loan losses, partially offset by a $239,000 decrease in noninterest expense and a $12,000 decrease in income tax expense.

Interest and Dividend Income. Interest and dividend income decreased $193,000, or 5.7%, to $3.2 million for the three months ended June 30, 2022 from $3.4 million for the three months ended June 30, 2021. This decrease was primarily attributable to a $239,000 decrease in interest on loans receivable, partially offset by an increase in interest on interest-earning deposits of $35,000 and a net increase of $21,000 in interest on investment securities. The average balance of loans decreased $9.9 million, or 3.5%, to $274.7 million for the three months ended June 30, 2022 from $284.5 million for the three months ended June 30, 2021. The average yield on loans decreased 19 basis points to 4.18% for the 2022 period from 4.37% for the 2021 period, reflecting a decrease in higher yielding loans period over period. The average balance of investment securities decreased $241,000, or 0.7%, to $36.6 million for the three months ended June 30, 2022 from $36.8 million for the three months ended June 30, 2021. The average yield on investment securities increased 24 basis points to 2.73% for the 2022 period from 2.49% for the 2021 period due to purchases of $23.6 million in higher yielding corporate bonds throughout 2021.

Interest Expense. Total interest expense decreased $86,000, or 19.9%, to $347,000 for the three months ended June 30, 2022 from $433,000 for the three months ended June 30, 2021. Interest expense on total interest-bearing deposits decreased $43,000, or 13.4%, to $279,000 for the three months ended June 30, 2022 from $322,000 for the three months ended June 30, 2021. The decrease was primarily attributable to a decrease of $6.1 million, or 7.5%, in the average balance of certificates of deposit to $75.5 million for the three months ended June 30, 2022 from $81.6 million for the three months ended June 30, 2021, in addition to a decrease in the average cost of 21 basis points to 0.63% for the three months ended June 30, 2022 from 0.84% for the same period in 2021. Interest expense on borrowings decreased $43,000, or 38.7%, to $68,000 for the three months ended June 30, 2022 from $111,000 for the three months ended June 30, 2021, due to a four basis points decrease in average borrowing costs to 1.83% for the three months ended June 30, 2022 from 1.87% for the three months ended June 30, 2021, as a result of a decrease in the average balance of borrowings of $8.9 million, or 37.4%, to $14.8 million for the three months ended June 30, 2022 from $23.7 million for the three months ended June 30, 2021.

Net Interest Income. Net interest income decreased $107,000, or 3.7%, to $2.8 million for the three months ended June 30, 2022 from $2.9 million for the three months ended June 30, 2021. Our net interest rate spread decreased three basis points to 3.34% for the three months ended June 30, 2022 from 3.37% for the three months ended June 31, 2021. Our net interest margin decreased four basis points to 3.41% for the three months ended June 30, 2022 from 3.45% for the same period in 2021. Net interest rate spread and net interest margin were affected primarily by the decrease in yield on interest-earning assets 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 $150,000 for the three months ended June 30, 2022 as compared to a provision for loan losses of $135,000 for the three months ended June 30, 2021. The allowance for loan losses was $2.2 million, or 0.82%, of total loans at June 30, 2022 as compared to $1.8 million, or 0.70%, of total loans at December 31, 2021. The increase in provision for loan losses for the 2022 period was primarily due to increases in reserves allocated to one- to four-family and nonresidential real estate loans as well as recreational vehicle loans as a result of higher economic reserve factors applied due to the current economic outlook and resultant increases in delinquent and substandard loans.

Noninterest Income. Noninterest income decreased $153,000, or 21.3%, to $567,000 for the three months ended June 30, 2022 from $720,000 for the three months ended June 30, 2021. The decrease was primarily due to decreases in insurance commissions, change in fair value on equity securities, and other charges, commissions, and fees, partially offset by an increase in banking fees and service charges. Insurance commissions decreased $100,000, or 49.8%, to $101,000 for the three months ended June 30, 2022 from $201,000 for the three months ended June 30, 2021 as a result of the Management Agreement with Northwoods whereby Northwoods assumed customer service responsibilities for Generations Insurance Agency, Inc. effective April 1, 2022. Change in fair value on equity securities decreased $57,000, or 316.7%, to a loss of $39,000 for the three months ended June 30, 2022 from a gain of $18,000 for the three months ended June 30, 2021 due to a decrease in the fair market value of our equity securities. Other charges, commissions, and fees decreased $31,000, or 45.6%, to $37,000 for the three months ended June 30, 2022 from $68,000 for the three months ended June 30, 2021 primarily due to a decrease in rental income received in 2022 as a result of the sale of a non-banking retail building in December 2021. Banking fees and service charges increased $29,000, or 7.3%, to $427,000 for the three months ended June 30, 2022 from $398,000 for the three months ended June 30, 2021 primarily due to the collection of a commercial loan prepayment penalty.

Noninterest Expense. Noninterest expense decreased $239,000, or 7.8%, to $2.8 million for the three months ended June 30, 2022 from $3.1 million for the three months ended June 30, 2021 due to decreases compensation and benefits, regulatory assessments, and other expenses, partially offset by an increase in professional and other services. Compensation and benefits decreased $179,000, or 13.3%, to $1.2 million for the three months ended June 30, 2022 from $1.3 million for the three months ended June 30, 2021 primarily due to the Management Agreement with Northwoods and an increase in pension expense benefit. Regulatory assessments decreased $53,000, or 45.7%, to $63,000 for the three months ended June 30, 2022 from $116,000 for the three months ended June 30, 2021 due to lower deposit insurance costs. Other expenses decreased $44,000, or 13.9%, to $273,000 for the three months ended June 30, 2022 from $317,000 for the three months ended June 30, 2021 primarily due to a $71,000 decrease in directors' fees related to changes in the market price of Generations Bancorp's stock held in the directors retirement plan for the three months ended June 30, 2022 as compared to the same period in 2021. Professional and other services increased $48,000, or 33.3%, to $192,000 for the three months ended June 30, 2022 from $144,000 for the three months ended June 30, 2021 due to increases in legal and consulting fees.

Income Taxes. Income tax expense decreased $12,000, or 15.2%, to $67,000 for the three months ended June 30, 2022 as compared to income tax expense of $79,000 for the three months ended June 30, 2021. The effective tax rate was 16.3% for the three months ended June 30, 2022 as compared to 17.6% for the three months ended June 30, 2021.

Comparison of Operating Results for the Six Months Ended June 30, 2022 and 2021

General. Net income for the six months ended June 30, 2022 was $741,000 as compared to $722,000 for the six months ended June 30, 2021, an increase of $19,000, or 2.6%. The increase was due to a $237,000 decrease in noninterest expense and a $16,000 decrease in income tax expense, partially offset by a $149,000 decrease in noninterest income, a $55,000 decrease in net interest income, and a $30,000 increase in provision for loan losses.

Interest and Dividend Income. Interest and dividend income decreased $265,000, or 4.0%, to $6.4 million for the six months ended June 30, 2022 from $6.7 million for the six months ended June 30, 2021. This decrease was primarily attributable to a $398,000 decrease in interest on loans receivable, partially offset by a net increase of $110,000 in interest on investment securities. The average balance of loans decreased $7.7 million, or 2.7%, to $275.7 million for the six months ended June 30, 2022 from $283.5 million for the six months ended June 30, 2021. The average yield on loans decreased 17 basis points to 4.22% for the 2022 period from 4.39% for the 2021 period, reflecting a decrease in higher yielding loans period over period. The average balance of investment securities increased $5.7 million, or 17.8%, to $37.9 million for the six months ended June 30, 2022 from $32.2 million for the six months ended June 30, 2021. The average yield on investment securities increased 19 basis points to 2.77% for the 2022 period from 2.58% for the 2021 period due to purchases of $23.6 million in higher yielding corporate bonds throughout 2021.

Interest Expense. Total interest expense decreased $210,000, or 23.1%, to $701,000 for the six months ended June 30, 2022 from $911,000 for the six months ended June 30, 2021. Interest expense on total interest-bearing deposits decreased $113,000, or 16.9%, to $556,000 for the six months ended June 30, 2022 from $669,000 for the six months ended June 30, 2021. The decrease was primarily attributable to a decrease of $6.1 million, or 7.4%, in the average balance of certificates of deposit to $76.3 million for the six months ended June 30, 2022 from $82.4 million for the six months ended June 30, 2021, in addition to a decrease in the average cost of 28 basis points to 0.63% for the six months ended June 30, 2022 from 0.91% for the same period in 2021. Interest expense on borrowings decreased $97,000, or 40.1%, to $145,000 for the six months ended June 30, 2022 from $242,000 for the six months ended June 30, 2021, due to a nine basis points decrease in average borrowing costs to 1.85% for the six months ended June 30, 2022 from 1.94% for the six months ended June 30, 2021, as a result of a decrease in the average balance of borrowings of $9.2 million, or 37.0%, to $15.7 million for the six months ended June 30, 2022 from $24.9 million for the six months ended June 30, 2021.

Net Interest Income. Net interest income decreased $55,000, or 1.0%, to $5.7 million for the six months ended June 30, 2022 from $5.8 million for the six months ended June 30, 2021. Our net interest rate spread remained unchanged at 3.36% for the six months ended June 30, 2022 and 2021. Our net interest margin remained unchanged at 3.43% for the six months ended June 30, 2022 and 2021.

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 $300,000 for the six months ended June 30, 2022 as compared to a provision for loan losses of $270,000 for the six months ended June 30, 2021. The allowance for loan losses was $2.2 million, or 0.82%, of total loans at June 30, 2022 as compared to $1.8 million, or 0.70%, of total loans at December 31, 2021. The increase in provision for loan losses for the 2022 period was primarily due to increases in reserves allocated to one- to four-family and nonresidential real estate loans as well as recreational vehicle loans as a result of higher economic reserve factors applied due to the current economic outlook and resultant increases in delinquent and substandard loans.

Noninterest Income. Noninterest income decreased $149,000, or 11.2%, to $1.2 million for the six months ended June 30, 2022 from $1.3 million for the six months ended June 30, 2021. The decrease was primarily due to decreases in insurance commissions, change in fair value on equity securities, and other charges, commissions, and fees, partially offset by an increase in banking fees and service charges. Insurance commissions decreased $77,000, or 20.5%, to $298,000 for the six months ended June 30, 2022 from $375,000 for the six months ended June 30, 2021 as a result of the Management Agreement with Northwoods whereby Northwoods assumed customer service responsibilities for Generations Insurance Agency, Inc. effective April 1, 2022. Change in fair value on equity securities decreased $54,000, or 1,800.0%, to a loss of $51,000 for the six months ended June 30, 2022 from a gain of $3,000 for the six months ended June 30, 2021 due to a decrease in the fair market value of our equity securities. Other charges, commissions, and fees decreased $45,000, or 44.1%, to $57,000 for the six months ended June 30, 2022 from $102,000 for the six months ended June 30, 2021 primarily due to a decrease in rental income received in 2022 as a result of the sale of a non-banking retail building in December 2021. Banking fees and service charges increased $30,000, or 3.9%, to $802,000 for the six months ended June 30, 2022 from $772,000 for the six months ended June 30, 2021 primarily due to the collection of a commercial loan prepayment penalty.

Noninterest Expense. Noninterest expense decreased $237,000, or 4.0%, to $5.7 million for the six months ended June 30, 2022 from $6.0 million for the six months ended June 30, 2021 due to decreases in compensation and benefits and regulatory assessments, partially offset by an increase in professional and other services. Compensation and benefits decreased $203,000, or 7.8%, to $2.4 million for the six months ended June 30, 2022 from $2.6 million for the six months ended June 30, 2021 primarily due to the Management Agreement with Northwoods and an increase in pension expense benefit. Regulatory assessments decreased $85,000, or 40.3%, to $126,000 for the six months ended June 30, 2022 from $211,000 for the six months ended June 30, 2021 due to lower deposit insurance costs. Professional and other services increased $99,000, or 35.0%, to $382,000 for the six months ended June 30, 2022 from $283,000 for the six months ended June 30, 2021 due to increases in legal and consulting fees.

Income Taxes. Income tax expense decreased $16,000, or 10.1%, to $142,000 for the six months ended June 30, 2022 as compared to income tax expense of $158,000 for the six months ended June 30, 2021. The effective tax rate was 16.1% for the six months ended June 30, 2022 as compared to 18.0% for the six months ended June 30, 2021.

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 periods 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. Net deferred loan costs amortized totaled approximately $485,000 and $347,000 for the three months ended June 30, 2022 and 2021, respectively. Net deferred loan costs amortized totaled approximately $969,000 and $$694,000 for the six months ended June 30, 2022 and 2021, respectively.

	Three Months Ended June 30,					
	2022			2021		
	Average Balance Outstanding	Interest	Yield/ Rate	Average Balance Outstanding	Interest	Yield/ Rate
Interest-earning assets:						
Loans	$ 274,699	$ 2,868	4.18 %	$ 284,549	$ 3,107	4.37 %
Securities	36,580	250	2.73	36,821	229	2.49
Interest-earning deposits	18,845	38	0.81	16,629	3	0.07
Other	1,250	13	4.16	1,768	23	5.20
Total interest-earning assets	331,374	3,169	3.83	339,767	3,362	3.96
Non-interest-earning assets	41,905			41,772		
Total assets	$ 373,279			$ 381,539		
Interest-bearing liabilities:						
Demand deposits	$ 47,503	$ 15	0.13 %	$ 49,540	$ 14	0.11 %
Money market accounts	32,128	28	0.35	29,933	26	0.35
Savings accounts	112,863	117	0.41	109,131	111	0.41
Certificates of deposit	75,459	119	0.63	81,596	171	0.84
Total interest-bearing deposits	267,953	279	0.42	270,200	322	0.48
Borrowings	14,846	68	1.83	23,727	111	1.87
Total interest-bearing liabilities	282,799	347	0.49	293,927	433	0.59
Other non-interest bearing liabilities	49,244			45,353		
Total liabilities	332,043			339,280		
Equity	41,236			42,259		
Total liabilities and equity	$ 373,279			$ 381,539		
Net interest income		$ 2,822			$ 2,929	
Interest rate spread			3.34 %			3.37 %
Net interest-earning assets	$ 48,575			$ 45,840		
Net interest margin			3.41 %			3.45 %
Average interest-earning assets to average to interest-bearing liabilities	117.18 %			115.6 %		

(In thousands)	Six Months Ended June 30,					
	2022			2021		
	Average Balance Outstanding	Interest	Yield/ Rate	Average Balance Outstanding	Interest	Yield/ Rate
Assets						
Interest-earning assets:						
Loans	$ 275,749	$ 5,818	4.22 %	$ 283,492	$ 6,216	4.39 %
Securities	37,890	524	2.77 %	32,153	414	2.58 %
Interest-earning deposits	18,119	54	0.60 %	18,699	7	0.07 %
Other	1,317	22	3.34 %	1,841	46	5.00 %
Total interest-earning assets	333,075	6,418	3.85 %	336,185	6,683	3.98 %
Non-interest-earning assets	41,728			41,889		
Total assets	$ 374,803			$ 378,074		
Liabilities and equity						
Interest-bearing liabilities:						
Demand deposits	$ 47,708	29	0.12 %	$ 48,307	27	0.11 %
Money market accounts	32,067	56	0.35 %	28,781	50	0.35 %
Savings accounts	112,517	232	0.41 %	108,077	218	0.40 %
Certificates of deposit	76,268	239	0.63 %	82,363	374	0.91 %
Total interest-bearing deposits	268,560	556	0.41 %	267,528	669	0.50 %
Borrowings	15,707	145	1.85 %	24,913	242	1.94 %
Total interest-bearing liabilities	284,267	701	0.49 %	292,441	911	0.62 %
Other non-interest bearing liabilities	48,419			45,717		
Total liabilities	332,686			338,158		
Equity	42,117			39,916		
Total liabilities and equity	$ 374,803			$ 378,074		
Net interest income		$ 5,717			$ 5,772	
Interest rate spread			3.36 %			3.36 %
Net interest-earning assets	$ 48,808			$ 43,744		
Net interest margin			3.43 %			3.43 %
Average interest-earning assets to average to interest-bearing liabilities	117.17 %			114.96 %		

Loan and Asset Quality and Allowance for Loan Losses. The following table represents information concerning the aggregate amount of non-performing assets at the indicated dates:

(In thousands)	At June 30, 2022	At December 31, 2021
Non-accrual loans:		
Residential:		
One- to four-family	$ 2,305	$ 2,577
Commercial:		
Real estate - nonresidential	416	416
Commercial business	118	161
Consumer:		
Home equity and junior liens	82	66
Manufactured homes	115	—
Automobile	79	44
Student	94	—
Recreational vehicle	71	—
Total non-accrual loans	$ 3,280	$ 3,264
Real estate owned:		
Residential:		
One- to four-family	$ 69	$ 27
Total real estate owned	$ 69	$ 27
Total non-performing assets	$ 3,349	$ 3,291
Ratios:		
Total non-performing loans to total loans	1.23%	1.23%
Total non-performing loans to total assets	0.89%	0.86%
Total non-performing assets to total assets	0.91%	0.87%

Non-performing assets include non-accrual loans, non-accruing TDRs, and foreclosed real estate. The Company generally places a loan on non-accrual status and ceases accruing interest when loan payment performance is deemed unsatisfactory and the loan is past due 90 days or more. At June 30, 2022 there were no loans that were past due 90 days or more and still accruing interest.

As indicated in the table above, non-performing assets were $3.3 million at June 30, 2022 and December 31, 2021. At June 30, 2022, the Bank had 36 non-performing one- to four-family residential mortgage loans for $2.3 million, two non-performing nonresidential loans for $416,000, three non-performing commercial business loans for $118,000, four home equity loans and lines of credit for $82,000, one non-performing manufactured home loan for $115,000, five non-performing automobile loans for $79,000, seven non-performing student loans for $94,000, and two non-performing recreational vehicle loans for $71,000. At December 31, 2021, the Bank had 38 non-performing one- to four-family residential mortgage loans for $2.6 million, two non-performing nonresidential loans for $416,000, three non-performing commercial business loans for $161,000, six home equity loans and lines of credit for $66,000, and three non-performing automobile loans for $44,000. The Bank had $69,000 in real estate owned at June 30, 2022 and $27,000 in real estate owned at December 31, 2021.

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the date of the consolidated statement of financial condition. The allowance for loan losses was $2.2 million at June 30, 2022 and $1.8 million at December 31, 2021. The Company reported an increase in the ratio of the allowance for loan losses to gross loans to 0.82% at June 30, 2022 as compared to 0.70% at December 31, 2021. Management performs a quarterly evaluation of the allowance for loan losses based on quantitative and qualitative factors and has determined that the current level of the allowance for loan losses is adequate to absorb the losses in the loan portfolio as of June 30, 2022.

At June 30, 2022, the Company had one one- to four-family loan for $72,000 which was deemed to be impaired and had one commercial business loan for $55,000 and one one- to four-family residential loan for $224,000 which were deemed to be impaired at December 31, 2021.

Management has identified potential credit problems which may result in the borrowers not being able to comply with the current loan repayment terms and which may result in it being included in future impaired loan reporting. Management has identified potential problem loans totaling $10.4 million as of June 30, 2022 as compared to $11.1 million at December 31, 2021. These loans have been internally classified as special mention or substandard, yet are not currently considered impaired. The decrease of $763,000 was primarily driven by the payoff of a commercial loan relationship in the second quarter of 2022 that was classified as special mention. Based on current information available at June 30, 2022, these loans were re-evaluated for their range of potential losses and reclassified accordingly.

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 June 30, 2022, the Bank had $14.2 million outstanding in advances from the FHLB and had the ability to borrow approximately $33.3 million based on our collateral capacity. At June 30, 2022, 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 June 30, 2022 and December 31, 2021, there were no outstanding advances on these lines.

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 $1.5 million for the six months ended June 30, 2022 and $2.2 million for the six months ended June 30, 2021. 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 and proceeds from the sale of and maturing securities, was $4.5 million for the six months ended June 30, 2022 and $19.9 million for the six months ended June 30, 2021. Net cash used in financing activities, consisting primarily of the activity in deposit accounts and FHLB advances, was $5.0 million for the six months ended June 30, 2022 and net cash provided by financing activities was $6.2 million for the six months ended June 30, 2021.

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 a dividend of $1.3 million to Generations Bancorp during the six months ended June 30, 2022. There was no dividend paid for the year ended December 31, 2021. At June 30, 2022, Generations Bancorp (on an unconsolidated, stand-alone basis) had cash and investment securities totaling $2.4 million.

At June 30, 2022 and December 31, 2021, 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 June 30, 2022. 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 June 30, 2022, 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

The following table provides certain information with regard to shares repurchased by the Company in the second quarter of 2022**.**

Period	(a) Total Number of Shares Purchased		(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (1)
April 1 - April 30, 2022	—	$	—	—	83,300
May 1 - May 31, 2022	56,002	$	11.62	56,002	27,298
June 1 - June 30, 2022	24,478	$	11.61	24,478	2,820
Total	80,480	$	11.62	80,480	

(1) The Company's Board of Directors authorized its first stock repurchase program on March 28, 2022 to acquire up to 83,300 shares, or 3.4 %, of the Company's then outstanding common stock. Repurchases will be made from time to time depending on market conditions and other factors, and will be conducted through open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. There is no guarantee as to the exact number of shares to be repurchased by the Company.

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: August 5, 2022

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

Date: August 5, 2022

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

XBRL-Only Content

Element Value	Value
Entity Central Index Key	0001823365
Current Fiscal Year End Date	--12-31
Document Fiscal Year Focus	2022
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Amendment Flag	false