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

FORM 10-K

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

For the fiscal year ended December 31, 2023

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

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

Registrant’s telephone number, including area code: **(315) 568-5855**

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

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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, a smaller reporting company or an emerging growth company. See 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 7(a)(2)(B) of the Securities Act. ☐

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

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

On June 30, 2023, the aggregate market value of the registrant’s common stock held by non-affiliates was approximately $17.4 million, based upon the closing sale price of a share of the registrant’s common stock.

As of March 29, 2024, there were issued and outstanding 2,241,801 shares of the Registrant’s Common Stock.

DOCUMENTS INCOPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant’s Annual Meeting of Stockholders (Part III).

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PART I

ITEM 1. Business

Forward Looking Statements

NOTE ABOUT FORWARD LOOKING STATEMENTS

This Annual Report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "believe," "contemplate," "continue," "target" 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 our current beliefs and expectations 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. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this Annual Report.

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

- general economic conditions, either nationally or in our market 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 and 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.

The Company's ability to predict results or the actual effects of its plans or strategies is inherently uncertain. As such, forward-looking statements can be affected by inaccurate assumptions made or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect conditions only as of the date of this filing. The Company undertakes no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements, except as required by the law.

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

Generations Bancorp NY, Inc.

Generations Bancorp NY, Inc. ("Generations Bancorp") is a Maryland corporation that was organized in August 2020 to become the holding company of Generations Bank (sometimes, the "Bank") as part of the Seneca-Cayuga Bancorp, Inc. ("Seneca-Cayuga") conversion from the mutual holding company structure to a fully public stock holding company structure. Prior to the conversion, Generations Bank was the wholly owned subsidiary of Seneca-Cayuga, and The Seneca Falls Savings Bank, MHC ("MHC") owned 60.1% of Seneca-Cayuga's common stock. As part of the conversion which was consummated on January 12, 2021, Generations Bancorp sold 1,477,575 of its common stock in a stock offering, representing the MHC's ownership interest in Seneca-Cayuga, for gross offering proceeds of $14.8 million and net proceeds of $13.2 million. In addition, existing shareholders of Seneca-Cayuga, other than the MHC, had their shares of Seneca-Cayuga exchanged for shares of Generations Bancorp pursuant to an exchange ratio. As a result of the Conversion, the MHC and Seneca-Cayuga ceased to exist and Generations Bank became the wholly owned subsidiary of Generations Bancorp.

At December 31, 2023, Generations Bancorp had total consolidated assets of $424.5 million, loans net of allowance of $333.5 million, deposits of $357.6 million, and stockholders' equity of $37.7 million.

As a registered savings and loan holding company, Generations Bancorp is subject to comprehensive regulation and examination by the Federal Reserve Board.

Generations Bank

Generations Bank is a federal savings bank headquartered in Seneca Falls, New York. The Bank was organized in 1870 and has 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.

We operate from our main office branch located in Seneca Falls, New York, in addition to eight full-service offices and one drive-through facility located in Auburn, Farmington, Geneva, Medina, Phelps, Union Springs and Waterloo, New York which are located throughout the northern Finger Lakes region of New York State, which includes parts of Cayuga, Seneca, Ontario, and Orleans counties, which are our primary deposit and lending markets. Our address at our headquarters is 20 East Bayard Street, Seneca Falls, New York 13148 and the telephone number at our headquarters is (315) 568-5855.

Our business consists primarily of taking deposits from the general public and, through our commercial bank subsidiary, Generations Commercial Bank, from New York State and County municipalities and agencies, and investing those deposits, together with borrowings and funds generated from operations, in the origination and purchase of one- to four-family residential real estate loans, including home equity loans and lines of credit. We also purchase and originate a substantial amount of consumer loans, including automobile loans, recreational vehicle loans and manufactured home loans. To a lesser extent, we originate commercial real estate and multi-family loans, commercial business loans, and residential and commercial construction loans. Most of our one- to four-family residential real estate loans are originated to borrowers in our market area. To diversify our loan portfolio more geographically, we purchase loans that have been originated outside of our market area, including automobile loans, recreational vehicle loans, and manufactured home loans which are originated throughout the United States. We also invest in securities, which currently consist primarily of corporate bonds and municipal bonds issued by states, local municipalities and schools in the Northeastern United States, and to a far lesser extent mortgage-backed securities issued by U.S. government sponsored entities, and Federal Home Loan Bank stock.

We offer a variety of deposit accounts, including demand accounts, NOW accounts, money market accounts, savings accounts, and certificates of deposit accounts. We also utilize advances from the Federal Home Loan Bank for liquidity and for asset/liability management purposes.

In 2018, we formed Generations Commercial Bank, a New York State-chartered limited purpose commercial bank, as a subsidiary of Generations Bank. Generations Commercial Bank opened for business on January 2, 2019 and has the power to receive deposits only to the extent of funds of the United States and the State of New York and their respective agents, authorities and instrumentalities, and local governments as defined in Section 10(a)(1) of the New York General Municipal Law. At December 31, 2023, Generations Commercial Bank held $9.2 million of municipal deposits and subject to funding needs, we expect to continue to use municipal deposits in the future.

In the future we will consider converting Generations Bank to a commercial bank charter. If we were to make such a charter conversion, we would consider the merger of Generations Commercial Bank into Generations Bank.

Generations Bank and Generations Commercial Bank are subject to comprehensive regulation and examination by the Office of the Comptroller of the Currency and the New York State Department of Financial Services (the “Department”), respectively, as their chartering agencies, and by the FDIC, as their deposit insurer.

Generations Bank’s website address is www.mygenbank.com. Our Annual Report on Form 10-K is available on our website under the “About Us” and “Investor Relations” tabs. Information on this website is not and should not be considered a part of this Annual Report on Form 10-K.

Competition

We face significant competition in originating loans and attracting deposits. Our market area and other areas in which we operate have a high concentration of financial institutions, many of which are significantly larger institutions that have greater financial resources than we have, and many of which are our competitors to varying degrees. Our competition for loans comes principally from mortgage brokers and mortgage banking companies, commercial banks, savings banks, the U.S. Government, credit unions, leasing companies, insurance companies, real estate conduits, and other companies that provide financial services to businesses and individuals. Our most direct competition for deposits has historically come from commercial banks, savings banks, and credit unions. We face additional competition for deposits from online financial institutions and non-depository competitors such as the mutual fund industry, securities and brokerage firms, and insurance companies.

Seneca County represents our primary geographic market area for deposits. At June 30, 2023 (the latest date for which information is available), Generations Bank's deposit market share was 23.3% of total Federal Deposit Insurance Corporation-insured deposits in Seneca County, representing the third largest market share of seven institutions with banking offices in Seneca County. This data excludes deposits held by credit unions.

Market Area

We operate from our main office branch located in Seneca Falls, New York, in addition to eight full-service offices and one drive-through facility located in Auburn, Farmington, Geneva, Medina, Phelps, Union Springs and Waterloo, New York which are located throughout the northern Finger Lakes region of New York State, which includes parts of Cayuga, Seneca, Ontario, and Orleans counties, which are our primary deposit and lending markets. We primarily serve rural, small town, and suburban communities located in the northern Finger Lakes region extending from Medina, New York in the West to Auburn, New York in the East. We will, on occasion, originate loans secured by properties located outside of our primary market area. To diversify the geographic concentration in our loan portfolio, we purchase a substantial amount of automobile loans, recreational vehicle loans and manufactured home loans secured by collateral from outside of our primary market area.

The northern Finger Lakes region is located in the central to northwestern portion of New York State between the cities of Rochester and Syracuse, New York. Seneca Falls is located six miles south of Interstate 90, the major east-west highway that runs through the state of New York.

Seneca Falls and the surrounding areas include a diverse population of low- and moderate- income neighborhoods as well as middle class and more affluent neighborhoods. The housing consists mainly of single-family residences.

The economy in our market area is stable but we believe has limited industrial development compared to more urban and suburban areas. The economy in our market area is based on a mixture of service, manufacturing, wholesale/retail trade, and state and local government. The employment base is diversified and there is no dependence on one area of the economy for continued employment. Major employers in our market area include several hospitals and healthcare providers, several correctional facilities as well as a number of large manufacturing facilities including ITT Industries. Geneva and Auburn also serve as bedroom communities for nearby Rochester and Syracuse, New York.

Our future growth opportunities will be influenced by the growth and stability of the regional, state, and national economies, other demographic trends, and the competitive environment. Based on U.S. Census Bureau data and other published statistics, median household income in our market area is somewhat below the national and New York State average. Also, while household income in our market area is continuing to grow, it is growing at rates below the comparable state and national averages.

Our market area is largely rural and has experienced a population decline in recent years. According to the United States Census Bureau, the total populations in December 2020 for Cayuga, Seneca, Ontario and Orleans counties, New York were approximately 76,000, 34,000, 112,000 and 40,000, respectively. Additionally, each of these counties, other than Ontario County (which increased by 4.2%) experienced a population decrease from 2010 through December 2020.

Lending Activities

General. Our principal lending activity has historically been originating and purchasing one- to four-family residential real estate loans, including home equity loans and lines of credit. We also purchase and originate a substantial amount of consumer loans, including automobile loans, recreational vehicle loans, and manufactured home loans. To a lesser extent, we also originate commercial real estate and multi-family loans, commercial business loans, and residential construction and commercial construction loans. We have not historically sold loans that we originate although we may decide to sell loans in the future.

We believe that originating and purchasing loans other than one- to four-family residential loans allows us to provide more comprehensive financial services to families and businesses within our community as well as manage interest rate sensitivity. Moreover, to diversify our loan portfolio more geographically, we purchase loans outside of our market area, including automobile loans, recreational vehicle loans, and manufactured home loans that have been originated throughout the United States. Subject to market conditions and our asset-liability analysis, in addition to purchasing one- to four-family residential real estate loans, we intend to continue our purchases of automobile loans in an effort to diversify our overall loan portfolio and increase the overall yield earned on our loans. In 2022, we began purchasing one- to four-family residential real estate loans from a third-party to increase our residential mortgage loan portfolio. We intend to continue purchases of one- to four-family residential real estate loans in 2024.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	At December 31,			
	2023		2022	
(In thousands)	Amount	Percent	Amount	Percent
Residential:				
One- to four-family	$ 168,387	52.4%	$ 138,001	47.5%
Construction	—	0.0%	387	0.1%
Commercial:				
Real estate - nonresidential	14,437	4.5%	16,681	5.7%
Multi-family	832	0.3%	854	0.3%
Commercial business	18,821	5.9%	11,677	4.0%
Consumer:				
Home equity and junior liens	13,632	4.2%	11,562	4.0%
Manufactured homes	48,681	15.1%	50,989	17.6%
Automobile	22,424	7.0%	24,339	8.4%
Student	1,569	0.5%	1,803	0.6%
Recreational vehicle	22,915	7.1%	26,909	9.3%
Other consumer	9,555	3.0%	7,172	2.5%
Total loans receivable	321,253	100.0%	290,374	100.0%
Less:				
Net deferred loan costs	15,351		16,221	
FV credit and yield adjustment	(149)		(218)	
Allowance for losses	(2,973)		(2,497)	
Total loans receivable, net	$ 333,482		$ 303,880	

Loan Portfolio Maturities. The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2023. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in the year ending December 31, 2024. Maturities are based on the final contractual payment date and do not reflect the impact of prepayments and scheduled principal amortization.

(In thousands)	One- to Four-Family	Residential Construction	Real Estate Nonresidential	Multi-family	Commercial Business	Home equity and junior liens
2024	$ 20	$ —	$ 897	$ —	$ 2,143	$ 324
2025 to 2028	1,974	—	707	—	4,302	2,200
2029 to 2038	21,220	—	9,319	45	10,025	11,053
2039 and beyond	145,173	—	3,514	787	2,351	55
Total	$ 168,387	$ —	$ 14,437	$ 832	$ 18,821	$ 13,632

	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Total
2024	$ 72	$ 303	$ —	$ 4	$ 17	$ 3,780
2025 to 2028	1,202	16,388	106	167	664	27,710
2029 to 2038	13,022	5,733	1,463	10,303	3,790	85,973
2039 and beyond	34,385	—	—	12,441	5,084	203,790
Total	$ 48,681	$ 22,424	$ 1,569	$ 22,915	$ 9,555	$ 321,253

Fixed- and Adjustable-Rate Loan Schedule. The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2023 that are contractually due after December 31, 2024.

	Due After December 31, 2024		
(In thousands)	**Fixed**	**Adjustable**	**Total**
Residential:			
One- to four-family	$ 144,953	$ 23,414	$ 168,367
Commercial:			
Real estate - nonresidential	8,024	5,516	13,540
Multi-family	402	430	832
Commercial business	11,767	4,911	16,678
Consumer:			
Home equity and junior liens	13,062	246	13,308
Manufactured homes	48,609	—	48,609
Automobile	22,121	—	22,121
Student	1,569	—	1,569
Recreational vehicle	22,911	—	22,911
Other consumer	9,522	16	9,538
Total loans receivable	$ 282,940	$ 34,533	$ 317,473

Loan Approval Procedures and Authority. Pursuant to federal law, the aggregate amount of loans that Generations Bank is permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of Generations Bank's unimpaired capital and surplus (25% if the amount in excess of 15% is secured by "readily marketable collateral" or 30% for certain residential development loans). At December 31, 2023, based on the 15% limitation, Generations Bank's loans-to-one-borrower limit was $5.9 million. At December 31, 2023, Generations Bank had no borrowers with outstanding balances in excess of this amount. At December 31, 2023, our largest loan outstanding with one borrower was $2.2 million, secured by commercial real estate and business assets, and was performing in accordance with its original repayment terms on that date.

Our lending is subject to written underwriting standards and origination procedures. Decisions on loan applications are made on the basis of detailed applications submitted by the prospective borrower, credit histories that we obtain, and property valuations (consistent with our appraisal policy) prepared by outside independent licensed appraisers approved by our Board of Directors as well as internal evaluations, where permitted by regulations. The loan applications are designed primarily to determine the borrower's ability to repay the requested loan, and the more significant items on the application are verified through use of credit reports, bank statements, and tax returns. One- to four-family residential real estate loans are generally underwritten according to Fannie Mae guidelines, and we refer to loans that conform to such guidelines as "conforming loans."

Under our loan policy, the individual sponsoring an application is responsible for ensuring that all documentation is obtained prior to the submission of the application to an independent underwriter and/or officer for approval. In addition, an underwriting and/or approving officer verifies that the application meets our underwriting guidelines described below. Also, each application file is reviewed to assure its accuracy and completeness. Our quality control process includes reviews of underwriting decisions, appraisals and documentation. We are currently using the services of an independent company to perform the underwriting quality control reviews of residential mortgages.

Our senior officers and chief underwriter have approval authority for one- to four-family residential loans for up to $600,000. One- to four-family residential real estate loans over $600,000 to $750,000 require the approval of Generations Bank's Chief Executive Officer. Multi-family, commercial real estate, and commercial business loans up to $750,000 require the approval of Generations Bank's Chief Executive Officer. Consumer loans to a single related borrower that aggregate over $250,000 to $1.0 million, or non-consumer loans to a single related borrower that aggregate over $750,000 to $1.0 million, require approval by the Chief Executive Officer and Chief of Consumer and Residential Lending. Generally, all loans in excess of $1.0 million need approval of the Lending Committee, which is comprised of the Chief Executive Officer, Chief Banking Officer, and two Board members, and any loan in excess of our in-house limit requires the approval of the full Board of Directors.

Generally, we require title insurance or abstracts on our mortgage loans as well as fire and extended coverage casualty insurance in amounts at least equal to the principal amount of the loan or the value of improvements on the property, depending on the type of loan. We also require flood insurance to protect the property securing its interest when the property is located in a Special Flood Hazard Area designated by the Federal Emergency Management Agency ("FEMA") and is participating in the National Flood Insurance Program.

One- to Four-Family Residential Real Estate Lending. Historically, we have emphasized the origination of one- to four-family residential real estate loans. At December 31, 2023, we had $168.4 million of loans secured by one- to four-family residential real estate, representing 52.4% of our total loan portfolio. We originate both fixed-rate and adjustable-rate residential mortgage loans. At December 31, 2023, the one- to four-family residential mortgage loans held in our portfolio due after December 31, 2024 were comprised of 86.1% fixed-rate loans and 13.9% adjustable-rate loans. At that date, the average outstanding one- to four-family residential real estate loan balance was $119,000 and the largest outstanding residential loan had a principal balance of $824,000. Virtually all of the one- to four-family residential real estate loans we originate are secured by properties located in our market area or surrounding counties. Due to consumer demand in the low interest rate environment, in recent years most of our originations are fixed-rate loans secured by one- to four-family residential real estate. See "− Originations, Sales and Purchases of Loans."

In 2022, we engaged a third-party to assist in the origination of one- to four-family residential real estate loans. Utilizing a third party to originate these loans will likely result in slightly lower average yields on our one-to four-family residential real estate loans as we will be required to pay the originator a fee at the time of purchase.

We expect to continue to purchase one- to four-family, owner-occupied residential real estate loans from a third-party originator. These loans adhere to all of our credit, underwriting, and loan policy criteria and are comprised of conventional conforming loans and/or our product offerings to low- and moderate-income borrowers and/or to first time home buyers and are secured by homes located in central and western New York. The purchase price of these loans is the loan's principal balance plus a purchase fee based on the loan's principal balance. The loans are non-recourse to the seller (except for certain contractual representations) and the contractual agreement prohibits re-solicitation by the seller for a defined period of time. After purchase, we provide all servicing and collections activities. The note, collateral, and loan documentation are transferred by assignment. Although we believe that we have procedures in place to review and assess the risks of this third-party vendor relationship, because these parties are not our employees, we assume risks associated with unsatisfactory origination procedures, including compliance with federal, state, and local laws.

We generally originate both fixed-rate and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency for Fannie Mae. We also originate loans above this lending limit, which are referred to as "jumbo loans."

Our one- to four-family residential real estate loans typically have terms of up to 30 years, with non-owner occupied loans limited to a maximum term of 20 years. Our adjustable-rate one- to four-family residential real estate loans have fixed rates for initial terms of five or seven years, and adjust thereafter at that interval at a margin. In recent years, this margin has generally been 2.25% over the weekly average yield on U.S. treasury securities adjusted to a constant maturity of one year. The maximum amount by which the interest rate may be increased or decreased is generally 2% per adjustment period and the lifetime interest rate cap is generally 5% over the initial interest rate of the loan. We retain and service all adjustable-rate one- to four-family residential real estate loans that we originate. We make such loans at rates and terms in accordance with market and competitive factors.

Although adjustable-rate mortgage loans may reduce to an extent our vulnerability to changes in market interest rates because they periodically re-price, as interest rates increase, the required payments due from the borrower also increase (subject to rate caps), increasing the potential for default by the borrower. At the same time, the ability of the borrower to repay the loan and the marketability of the underlying collateral may be adversely affected by higher interest rates. Upward adjustments of the contractual interest rate are also limited by the maximum periodic and lifetime rate adjustments permitted by our loan documents. Moreover, the interest rates on our adjustable-rate loans do not adjust for five or seven years after origination. As a result, the effectiveness of adjustable-rate mortgage loans in compensating for changes in general interest rates may be limited during periods of rapidly rising interest rates. At December 31, 2023, $23.4 million, or 13.9% of our one- to four-family residential loans, had adjustable rates of interest.

We do not offer "interest only" or "balloon" mortgage loans on permanent one- to four-family residential real estate loans (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan or in the case of "balloon" mortgages, the principal balance does not fully amortize over the loan's term). We also do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. Generally, we do not offer "subprime loans" on one- to four-family residential real estate loans (i.e., generally loans with credit scores less than 660), except for loans originated with the backing of a state or federal mortgage agency or for sale in the secondary market.

We generally limit the loan-to-value ratios of our owner-occupied one- to four-family residential mortgage loans to 95% of the purchase price or appraised value, whichever is lower. For state and federal agency-backed residential mortgages, loan to value ratios may exceed 95% up to the respective agency's maximum loan to value limit. Non-owner occupied one- to four-family residential mortgage loans are limited to an 80% loan-to-value ratio.

Our residential mortgage loans customarily include due-on-sale clauses giving us the right to declare the loan immediately due and payable in the event that, among other things, the borrower sells or otherwise disposes of the property subject to the mortgage and the loan is not repaid.

In November 2023, we changed our lending approach and shifted to exclusively purchasing one- to four-family residential real estate loans in an effort to reduce overhead costs.

Commercial Real Estate and Multi-family Lending. Our commercial real estate loans are secured primarily by office buildings, hotels and motels, wineries, manufacturing facilities, churches, retail and mixed-use properties, and light industrial properties located in our primary market area. Our multi-family loans are secured primarily by five or more-unit residential buildings. At December 31, 2023, we had $14.4 million in commercial real estate loans and $832,000 in multi-family real estate loans, representing 4.5% and 0.3% of our total loan portfolio, respectively.

Our commercial real estate and multi-family loans generally have a maximum term of 20 years and fixed or adjustable rates based upon indexes from the Federal Home Loan Bank and the Constant Maturity Treasury Bill Index, plus a margin. Most rates adjust annually after a three, five, or seven-year initial fixed-rate period. These loans are generally made in amounts of up to 75% of the lesser of the appraised value or the purchase price of the property with a projected debt service coverage ratio of at least 120%.

Appraisals on properties securing commercial real estate and multi-family loans are performed by an independent appraiser with a second review of the completed appraisal by a second independent appraiser and are also reviewed by Generations Bank's management. Our underwriting procedures include considering the borrower's expertise and require verification of the borrower's credit history, income and financial statements, banking relationships, references, and income projections for the property. Generally, we obtain personal guarantees on these loans.

A commercial real estate or multi-family borrower's financial information is monitored on an ongoing basis by requiring periodic financial statement updates, payment history reviews, and periodic face-to-face meetings with the borrower. We generally require these commercial borrowers to provide annually updated financial statements and federal tax returns. These requirements also apply to the individual guarantors as well as any other business guarantors of our commercial borrowers. We also generally require borrowers with rental investment property to provide an annual report of income and expenses for the property, including a tenant list and copies of leases, as applicable.

At December 31, 2023, our largest commercial real estate loan outstanding had a balance of $2.2 million. This loan was originated in 2015 and is secured by commercial real estate. At December 31, 2023, our largest multi-family loan had a balance of $402,000 and is secured by a mixed-use building. At December 31, 2023, these loans were performing in accordance with their repayment terms.

Commercial real estate and multi-family loans generally present a higher level of risk than loans secured by one- to four-family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income-producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by commercial real estate and multi-family real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired. At December 31, 2023 we had one commercial real estate loan with an aggregate principal balance of $29,000 which was 90 days or more delinquent.

The following table sets forth information regarding our nonresidential real estate loans at December 31, 2023.

Collateral Type	Number of Loans	Balance (In thousands)
Auto Dealership	2	$ 1,446
Church	6	1,339
Hospitality	4	554
Manufacturing	2	158
Professional Services Building	20	3,605
Recreational	4	1,626
Retail	9	2,105
Retail Rental	9	3,604
Total	56	$ 14,437

We consider a number of factors in originating commercial real estate and multi-family loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability, and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property, and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property, and the debt service coverage ratio (the ratio of net operating income to debt service). All commercial real estate and multi-family loans are appraised by outside independent appraisers approved by the Board of Directors. Personal guarantees are generally obtained from the principals of nonresidential and multi-family real estate borrowers.

Commercial Business Loans. We make primarily secured loans to professionals, sole proprietorships, and small businesses for commercial, corporate, and business purposes. Commercial business loan products include term loans and revolving lines of credit. Such loans are often used for working capital purposes or for purchasing equipment, inventory, or furniture. Our commercial business loans are made with either adjustable or fixed rates of interest. Adjustable rates are based on the prime rate, as published in *The Wall Street Journal*, or Federal Home Loan Bank, or U.S. Treasury indexes, plus a margin. Fixed-rate commercial business loans are primarily set at a margin above the prime rate or the applicable Federal Home Loan Bank's amortizing index. At December 31, 2023, $18.8 million, or 5.9% of our total loan portfolio, was comprised of commercial business loans, of which $2,000 were PPP loans guaranteed by the SBA, described below.

When making commercial business loans, we consider the financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. Commercial business loans are generally secured by accounts receivable, inventory, and equipment. Depending on the amount of the loan and the collateral used to secure the loan, commercial loans are made in amounts of up to 80% of the value of the collateral securing the loan.

Commercial business loans generally have a greater credit risk than one- to four-family residential real estate loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial business loans typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself and the economy in which it operates (including today's recessionary economy). Further, the collateral securing the loans may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. We seek to minimize these risks through our underwriting standards.

At December 31, 2023, our largest commercial business loan outstanding had a principal balance of $1.8 million and was secured by farmland. At this date, these loans were performing in accordance with their repayment terms.

The CARES Act established the PPP through the SBA, which allowed us to lend money to small businesses to maintain employee payrolls through the Covid-19 crisis with guarantees from the SBA. Under this program, loan amounts may be forgiven if the borrower maintains employee payrolls and meets certain other requirements. PPP loans have a fixed interest rate of 1.00% and a maturity date of either two or five years. Such loans totaled $2,000 at December 31, 2023.

In 2023, we began purchasing loans from a third-party to assist in the origination of commercial business loans. We are required to pay the originator a fee at the time of purchase resulting in an lower average yield, however, these loans typically carry higher interest rates when compared to other types of loans in our loan portfolio.

Manufactured Home Lending. In recent years, the largest portion of our consumer loan portfolio has been manufactured home loans. These loans are considered consumer loans and not one- to four-family residential real estate loans because they are not secured by the underlying real estate. Since 2006, we have accepted manufactured home loan applications obtained by a third party. The loans are secured by the manufactured homes that are affixed to a third-party leased pad site and are located generally in New York, New Jersey, Pennsylvania, Connecticut, and Massachusetts, primarily in retirement communities. The loans are underwritten and approved by Generations Bank underwriters according to our lending policy, which provides for a maximum loan-to-value of 90% and takes into consideration the applicant's previous credit history and an assessment of the applicant's ability to make the proposed payments. If home transportation, set-up, and insurance costs or origination fees are financed, the loan-to-value may exceed 100%.

If Generations Bank funds the loan, the third party is paid a lump sum referral and servicing fee for each loan. The third-party seller's servicing is limited to certain collection services in the event the loan becomes delinquent. Generations Bank provides all remaining services. A portion of the fee paid, which is deferred and amortized over the life of the loan, is placed into an escrow account to be used to reimburse the Bank for any losses incurred under the program and for the refund of any unearned fees which result from loan prepayments or foreclosures.

Additionally, in 2019 we began purchasing manufactured home loans from a second vendor which are originated throughout the United States. Should we discontinue any of these relationships or otherwise be unable to use these vendors in the future, our ability to acquire manufactured home loans that meet our guidelines may be disrupted. Moreover, because these loans are originated by third parties which are not our employees, we assume risks associated with unsatisfactory origination procedures, including compliance with federal, state, and local laws. Finally, although we believe that we have procedures in place to review and assess the risks of these third-party vendor relationships, one of these relationships is new or "unseasoned," and the purchased loans have not been outstanding for a sufficient period of time to demonstrate performance and indicate the potential risks in the loan portfolio.

Our manufactured home loans are typically originated at somewhat higher fixed rates than one- to four-family residential real estate loans and are fully amortizing with contractual maturities generally of up to 20 years. At December 31, 2023, $48.7 million, or 15.1% of our total loan portfolio, were manufactured home loans, and the loss escrow was $3.1 million. At December 31, 2023, we had four manufactured home loans with an aggregate principal balance of $323,000 which were 90 days or more delinquent.

Because manufactured home loans may be based on the cost of the manufactured housing as well as improvements and because manufactured homes may decline in value due to wear and tear following their initial sale, the value of the collateral securing a manufactured home loan may be less than the loan balance. As a result, such loans generally carry a higher degree of credit risk and may be more vulnerable to today's adverse economic conditions than our one- to four-family residential real estate loans.

Automobile Lending. We originate automobile loans through our branch network and also accept automobile applications from automobile dealerships with approved indirect lending agreements with us. Beginning in 2016, we have materially grown our automobile loan portfolio through the purchase of such loans through one loan broker with loans made throughout the Northeast and in 2020 we entered into a relationship with a second auto loan broker and we expect to continue purchases of automobile loans in the future. Under the agreements, loan applications are obtained by the auto dealership and forwarded to Generations Bank for consideration. Generations Bank funds the loan if the proposed loan meets our underwriting standards. When considering whether to approve the loan, we review the collateral, the applicant's credit history, and the applicant's income as compared to all debt payments, including the proposed loan. Our automobile loans have fixed rates with contractual maturities of up to 84 months, depending upon the age of the vehicle. The maximum loan is limited to 125% of the Manufacturer's Suggested Retail Price for new vehicles and NADA's clean retail value for used vehicles. For dealer-referred indirect lending, a fee is paid to the dealership, which is deferred and amortized over the life of the loan, for each loan that is funded, in addition to dealer reserves. See "− Purchased Automobile, Recreational Vehicle Loans, and Other Consumer Loans" for discussion. At December 31, 2023, we had $22.4 million, or 7.0% of total loans, of automobile loans outstanding. At this date, six automobile loans with an aggregate principal balance of $120,000 were 90 days or more delinquent.

Automobile loans are subject to many of the same risks discussed with respect to other consumer loans, including that the value of the collateral, which tends to depreciate quickly, may become less than the loan amount. Also, such loans are more vulnerable to changes in the overall economy.

Additionally, there are risks associated with the reliance on third parties to originate these loans. Should we discontinue any of these third-party vendor relationships or otherwise be unable to use these vendors in the future, our ability to acquire automobile loans that meet our guidelines may be disrupted. Moreover, because these loans are originated by third parties which are not our employees, we assume risks associated with unsatisfactory origination procedures, including compliance with federal, state, and local laws. Finally, although we believe that we have procedures in place to review and assess the risks of these third-party vendor relationships, one of these relationships is new or "unseasoned," and the purchased loans have not been outstanding for a sufficient period of time to demonstrate performance and indicate the potential risks in the loan portfolio.

Home Equity Loans and Lines of Credit. We originate fixed-rate home equity loans and both fixed-rate and adjustable-rate home equity lines of credit secured by a lien on the borrower's residence. Our home equity products are limited to 95% of the property value less any other third-party mortgages. We use the same underwriting standards for home equity lines and loans as we use for one- to four-family residential real estate loans. The fixed-rate for home equity loans and lines of credit are generally determined as a percentage over the prime rate. The variable interest rates for home equity lines of credit float at a stated margin over the highest prime rate published in The Wall Street Journal and may not exceed 15.00% over the life of the loan. We currently offer home equity loans with terms of up to 15 years with principal and interest paid monthly from the closing date. The home equity lines provide for an initial revolving draw period of up to 10 years. At the end of the initial 10-year draw period, the outstanding balance is then converted to a fully amortizing loan with a repayment term of 15 years. At December 31, 2023, we had $13.6 million, or 4.2% of total loans, of home equity loans and outstanding advances under home equity lines and an additional $11.2 million of funds committed, but not advanced, under home equity lines of credit. At December 31, 2023, three home equity loans with an aggregate principal balance of $85,000 were 90 days or more delinquent. Home equity lending is subject to many of the same risks as one- to four-family residential loans except that home equity loans tend to have higher loan-to-value ratios and higher household debt and thus may be more vulnerable to adverse economic conditions.

Student Loans. We offered student loans to both in-school (full or part-time) students and out of school students. This program was closed to new student loan originations beginning in December 2021, however, we will still continue to maintain our existing portfolio. For out of school students and their caregivers who borrowed for their education, our loan program allows the borrower to consolidate both federal and private student loans. There are no prepayment penalties. At December 31, 2023, $1.6 million, or 0.5% of our total loan portfolio, was student loans. At December 31, 2023, three student loans with an aggregate principal balance of $25,000 were 90 days or more delinquent.

Recreational Vehicle Loans. We originate recreational vehicle loans through our office network. Beginning in 2020, we have materially grown our recreational vehicle loan portfolio through the purchase of such loans through one loan broker with loans made throughout New York State, excluding New York City and Long Island. Under the agreement, loan applications are obtained by the loan broker and forwarded to Generations Bank for consideration. Generations Bank funds the loan if the proposed loan meets our underwriting standards. When considering whether to approve the loan, we review the collateral, the applicant's credit history, and the applicant's income as compared to all debt payments, including the proposed loan.

Our recreational vehicle loans have fixed rates with contractual maturities of up to 240 months, depending upon the age of the collateral. The maximum loan is limited to 135% of the Manufacturer's Suggested Retail Price for new units or NADA's clean retail value for used units. A fee is paid to the loan broker, which is deferred and amortized over the estimated life of the loan, for each loan that is funded. In addition, a loss escrow is established for each loan purchased. See "− Purchased Automobile, Recreational Vehicle Loans, and Other Consumer Loans." At December 31, 2023, we had $22.9 million, or 7.1% of total loans, of recreational vehicle loans outstanding. At this date, four recreational vehicle loans with an aggregate principal balance of $291,000 were 90 days or more delinquent.

Recreational vehicle loans are subject to many of the same risks discussed with respect to other consumer loans, including that the value of the collateral, which tends to depreciate quickly, may become less than the loan amount. Also, such loans are more vulnerable to changes in the overall economy.

Additionally, there are risks associated with the reliance on third parties to originate these loans as discussed above in "Automobile Loans."

Other Consumer Lending. Although most of our consumer loans are secured by collateral, including boats and savings deposits, we also make a limited amount of unsecured personal loans. We currently originate substantially all of our other consumer loans within New York State (outside of New York City and Long Island). We also purchase loans secured by boats and other collateral from a third-party. Other consumer loans were $9.6 million, representing 3.0% of the total loan portfolio, at December 31, 2023.

The terms of other types of other consumer loans vary according to the type of collateral, length of contract, and creditworthiness of the borrower. The underwriting standards employed for consumer loans include a determination of the applicant's payment history on other debts and an assessment of the borrower's ability to meet payments on the proposed loan along with his or her existing obligations. In addition to the creditworthiness of the applicant, the underwriting process also includes a comparison of the value of the collateral, if any, in relation to the proposed loan amount. Unsecured personal loans are available to creditworthy borrowers for a variety of personal needs and have been extended on a limited basis.

Other consumer loans may entail greater risk than residential mortgage loans, as they are typically unsecured or secured by rapidly depreciable assets. In such cases, any repossessed collateral for defaulted consumer loans may not provide adequate sources of repayment for the outstanding loan balances as a result of the greater likelihood of damage, loss, or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Also, such loans are more vulnerable to changes in the overall economy than are residential loans. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans. At December 31, 2023, two consumer loans with an aggregate principal balance of $71,000 were 90 days or more delinquent.

Construction Loans. To a limited extent, we make construction loans to individuals for the construction of their primary residences and loans to builders and commercial borrowers. On an extremely limited basis, we have made land loans primarily to complement our construction lending activities, as such loans are generally secured by lots that will be used for residential development. Land loans also include loans secured by land purchased for other uses such as hunting and fishing. At December 31, 2023, we had no construction loans outstanding.

Loans to individuals for the construction of their residences are typically originated as construction/permanent loans, with a construction phase for up to nine months. Upon completion of the construction phase, the loan automatically becomes a permanent loan. These construction loans have rates and terms comparable to one- to four-family residential loans offered by us. During the construction phase, the borrower pays interest only. The maximum loan-to-value ratio of owner-occupied, one- to four- -family construction loans is generally 85%. Residential construction loans are generally underwritten pursuant to the same guidelines used for originating permanent residential loans. Land loans are generally offered for terms of up to 10 years. The maximum loan-to-value ratio of land loans is 65% for undeveloped land/lots and 75% for land/lots developed with utilities and roads.

Purchases and Sales. Lending activities are conducted primarily by our loan personnel operating at our main and branch office locations. All loans originated by us are underwritten pursuant to our policies and procedures. We originate both fixed- and adjustable-rate loans. Our ability to originate fixed- or adjustable-rate loans is dependent upon relative customer demand for such loans, which is affected by current and expected future levels of market interest rates. In November 2023, we changed our lending approach and shifted to exclusively purchasing one- to four-family residential real estate loans in an effort to reduce overhead costs. We generally originated conforming one- to four-family residential real estate loans that could be sold in the secondary market (with or without servicing retained). However, since 2008, we have not sold any loans that we originated and we do not intend to sell loans in the future.

Manufactured Home Loan Purchases. We purchase manufactured home loans originated by an established national third-party lender. Loans are originated in 43 states and are generally located in the Southeast, southern Midwest and southern Western states. The loans are secured by a first lien position on the manufactured homes which are placed on third-party leased pad sites within a community of manufactured homes. These manufactured home loans are not secured by the underlying real estate. At December 31, 2023, the principal balances of our manufactured home loans ranged from $1,000 to $399,000, and at this date the median principal balance of our manufactured home loans was $66,000.

Underwriting and approval is completed by the third-party according to our lending policy and all applicable federal and state governing rules. The underwriting takes into consideration the applicant's credit history, home value, and an assessment of the applicant's ability to make the proposed payments. If home transportation, set-up, and insurance costs or origination fees are financed, the loan-to-value may exceed 100%. The note, collateral, and loan documentation are taken by assignment. All submitted purchase requests are reviewed by a Generations Bank underwriter to ensure all established criteria of Generations Bank have been met prior to purchase. If they are not, we may choose to refuse the purchase. The seller provides all servicing and collection activity. There are no dollar volume purchase requirements and the program can be terminated by Generations Bank with contractual notification.

For each purchased manufactured home loan, the third-party seller is paid a lump sum referral fee and a monthly servicing fee. A portion of the fee paid, which is deferred and amortized over the estimated life of the loan, is placed into an escrow account to be used to reimburse Generations Bank for any credit losses incurred under the program and for the refund of any unearned fees which result from loan prepayments.

Our manufactured home loans are typically originated at somewhat higher fixed rates than one- to four-family residential real estate loans and are fully amortizing with contractual maturities generally of up to 25 years. During the years ended December 31, 2023 and 2022, we purchased $5.3 million and $9.6 million manufactured home loans.

Purchased Automobile, Recreational Vehicle Loans, and Other Consumer Loans. We purchase automobile loans from two third-party originators. From one of those originators we also purchase loans secured by recreational vehicles and, to a lesser extent, other loans secured by boats and personal property. The loans are primarily originated within New York, Pennsylvania, and the New England states. The loans are underwritten and approved by the third-party according to Generations Bank's credit policy and all applicable federal and state regulations. The underwriting takes into consideration the applicant's credit history, collateral value, and an assessment of the applicant's ability to make the proposed payments. If extended warranties, other add-ons, and sales tax are financed, the loan-to-value may exceed 100%. Prior to purchase, a Generations Bank underwriter reviews all purchase submittals to ensure all of Generations Bank's criteria have been met. If they are not, we may choose to refuse the purchase. For one third-party seller there is a minimum monthly aggregate dollar purchase of $250,000. There is no monthly minimum purchase amount for the second third-party seller. Both contractual agreements can be terminated by either party with required notification. The note, collateral, and loan documentation are taken by assignment.

Our purchased automobile and recreational vehicle loans have fixed rates of interest with contractual maturities of up to 84 months for automobiles and 240 months for recreational vehicles, depending upon the age of the collateral. The maximum loan is limited to 135% of the manufacturer's suggested retail price for new vehicles or NADA's clean retail value for used vehicles. For loans purchased from one seller, Generations Bank provides all servicing and collection activities while the second seller, after loan purchase, provides all servicing and collections activities for Generations Bank. If we purchase a loan, we pay a lump sum referral fee and a monthly servicing fee (as applicable) for each loan. A portion of the fee paid, which is deferred and amortized over the life of the loan, is placed into an escrow account to be used to reimburse Generations Bank for any credit losses incurred under the program and for the refund of any unearned fees which result from loan prepayments.as defined in the contractual agreements. Where the seller provides servicing of the loans purchased, a separate monthly servicing fee is paid on the applicable outstanding loan balances.

At December 31, 2023, $21.8 million, or 6.8% of our total loan portfolio, were purchased automobile loans, $22.9 million, or 7.1% of our total loan portfolio, were purchased recreational vehicle loans and $8.6 million, or 2.7% of our total loan portfolio, were purchased other consumer loans. Of the automobile loans, $18.7 million were purchased from one vendor with no loss escrow reserves held at December 31, 2023. Of the other consumer loans, $2.8 million were purchased from one vendor with no loss escrow reserves held at December 31, 2023. The remaining $3.1 million of purchased automobile loans, the $22.9 million of recreational vehicle loans, and

$5.8 million of other consumer loans were purchased from another vendor, and at December 31, 2023, we had a loss escrow of $319,000 for these $31.8 million of loans. During the years ended December 31, 2023 and 2022, we purchased $8.4 million and $12.4 million of automobile loans, respectively, $0 and $2.1 million of recreational vehicle loans, respectively, and $3.6 million and $2.2 million of other consumer loans, respectively. Consistent with our business plan, we expect to continue to purchase automobile loans.

Purchased One- to Four-Family, Owner-Occupied Residential Real Estate Loans. In 2022, we began purchasing one- to four-family, owner-occupied residential real estate loans from a third-party originator. These loans adhere to all of Generations Bank's credit, underwriting, and loan policy criteria and are comprised of conventional conforming loans and/or Generations Bank's product offerings to low- and moderate-income borrowers and/or to first time home buyers and were for homes located in central and western New York. There is no minimum monthly purchase requirement and the contractual agreement is cancellable upon agreed upon notice. The purchase price is the loan's principal balance plus a margin of the loan's principal balance. The loans are non-recourse to the seller (except for certain contractual representations) and the contractual agreement prohibits re-solicitation by the seller for a defined period of time. After purchase, Generations Bank provides all servicing and collections activities. The note, collateral, and loan documentation are taken by assignment. During the years ended December 31, 2023 and 2022, we purchased $35.3 million and $32.7 million, respectively, of one- to four-family, owner-occupied residential real estate loans.

The following table sets forth our loan origination, purchase, and principal repayment activity during the periods indicated. There were no loans sales during the comparative periods.

(In thousands)	At December 31, 2023	At December 31, 2022
Total loans, at beginning of period	$ 290,374	$ 264,658
Loans originated:		
Residential:		
One- to four-family	8,492	7,929
Construction	—	388
Commercial:		
Real estate - nonresidential	—	1,030
Multi-family	—	206
Commercial business	1,224	1,027
Consumer:		
Home equity and junior liens	831	1,312
Automobile	465	139
Other consumer	418	893
Total loans originated	11,430	12,924
Loans purchased:		
Residential:		
One- to four-family	35,318	32,689
Commercial:		
Commercial business	8,206	—
Consumer:		
Manufactured homes	5,252	9,572
Automobile	8,446	12,424
Recreational vehicle	—	2,149
Student	—	113
Other consumer	3,551	2,171
Total loans purchased	60,773	59,118
Principal repayments and charge offs	(41,324)	(46,326)
Net loan activity	30,879	25,716
Total loans, at end of period	$ 321,253	$ 290,374

Delinquencies and Non-Performing Assets

Delinquency Procedures. When a borrower fails to make a required payment on a loan, we attempt to cause the delinquency to be cured by contacting the borrower. A late notice is generated and is sent to all mortgage loans 15 days delinquent and to all consumer loans 10 days delinquent. The borrower is contacted by the collections officer 20 days after the due date of all loans. Another late notice along with any required demand letters as set forth in the loan contract are sent 30 days after the due date. Additional written and verbal contacts may be made with the borrower between 30 and 60 days after the due date.

If the delinquency is not cured by the 60th day, the customer is normally provided 30 days written notice that the account will be referred to counsel for collection and foreclosure, if necessary. If it becomes necessary to foreclose, the property is sold at public sale and we may bid on the property to protect our interest. The decision to foreclose is made by the collections officer in our organization.

All loan charge offs are recommended by the collections officer and approved by either the President or the Chief Financial Officer. Our procedure for repossession and sale of collateral are subject to various requirements under New York State consumer protection laws.

When we acquire real estate as a result of foreclosure or by deed in lieu of foreclosure it is classified as foreclosed real estate until it is sold. The real estate is recorded at estimated fair value less estimated selling costs at the date of acquisition, and any resulting write-down is charged to the allowance for loan losses. Subsequent decreases in the value of the property are charged to operations through the creation of a valuation allowance. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized to the extent the estimated fair value, less estimated costs to sell, exceed its carrying amount.

For manufactured home loans, when a borrower is 10 days delinquent, a late notice is generated and sent. In addition, a copy of the delinquency notice is sent to the third-party that originates manufactured home loans. The third-party performs all other collection related activities to bring the loan current. The third-party determines whether to repossess the collateral. Any losses incurred by Generations Bank are reimbursed to us from the loan escrow account held at Generations Bank in accordance with the purchase agreement.

Delinquent Loans. The following table sets forth our loan delinquencies by type at the dates indicated.

	At December 31, 2023		
(In thousands)	30-89 Days Past Due	90 Days and Over Past Due	Total Past Due
Total Loans			
Residential mortgage loans:			
One- to four-family	$ 6,888	$ 2,277	$ 9,165
	6,888	2,277	9,165
Commercial loans:			
Real estate - nonresidential	—	29	29
Multi-family	384	—	384
Commercial business	461	41	502
	845	70	915
Consumer loans:			
Home equity and junior liens	413	85	498
Manufactured homes	681	323	1,004
Automobile	334	120	454
Student	4	25	29
Recreational vehicle	1,563	291	1,854
Other consumer	210	71	281
	3,205	915	4,120
Total loans	$ 10,938	$ 3,262	$ 14,200

(In thousands)	At December 31, 2022 30-89 Days Past Due	90 Days and Over Past Due	Total Past Due
Total Loans			
Residential mortgage loans:			
One- to four-family	$ 4,496	$ 2,605	$ 7,101
	4,496	2,605	7,101
Commercial loans:			
Real estate - nonresidential	254	416	670
Commercial business	129	158	287
	383	574	957
Consumer loans:			
Home equity and junior liens	278	172	450
Manufactured homes	1,020	368	1,388
Automobile	532	21	553
Student	—	68	68
Recreational vehicle	1,334	135	1,469
Other consumer	225	—	225
	3,389	764	4,153
Total loans	**$** 8,268	$ 3,943	$ 12,211

One – to four-family residential mortgage loans 30-89 days past due increased $2.4 million, or 53.2% to $6.9 million at December 31, 2023 from $4.5 million at December 31, 2022 as a result of 71 past due loans in 2023 as compared to 58 past due loans in 2022. Multi-family loans 30-89 days past due increased to $384,000 at December 31, 2023 due to the delinquency of one loan in 2023. Commercial business loans 30-89 days past due increased $332,000, or 257.4%, to $461,000 at December 31, 2023 from $129,000 at December 31, 2022 as a result of three past due loans in 2023 as compared to one past due loan in 2022. Recreational vehicles 30-89 days increased $229,000, or 17.2%, to $1.6 million at December 31, 2023 from $1.3 million at December 31, 2022 as a result of 52 past due loans in 2023 as compared to 42 past due loans in 2022. Home equity and junior liens 30-89 days past due increased $135,000, or 48.6%, to $413,000 at December 31, 2023 from $278,000 at December 31, 2022 as a result of 12 past due loans in 2023 as compared to nine past due loans in 2022.

Nonresidential real estate loans 90 days and over past due decreased $387,000, or 93.0%, to $29,000 at December 31, 2023 from $416,000 at December 31, 2022 as a result of a loan payoff of $383,000. Commercial business loans 90 days and over past due decreased $117,000, or 74.1%, to $41,000 at December 31, 2023 from $158,000 at December 31, 2022 as a result of two loan payoffs totaling $113,000.

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered by the Office of the Comptroller of the Currency ("OCC") to be of lesser quality, as "substandard," "doubtful," or "loss." An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss allowance is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "special mention" by our management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific loss allowances.

In connection with the filing of our periodic reports with the OCC and in accordance with our asset classification policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations.

On the basis of this review of our assets, our classified or special mention assets (presented gross of allowance) at the dates indicated were as follows:

(In thousands)	At December 31, 2023	At December 31, 2022
Classification of assets:		
Special mention assets	$ 4,344	$ 6,249
Substandard assets	5,683	4,787
Doubtful assets	—	—
Loss assets	—	—
Total classified assets	$ 10,027	$ 11,036

Substandard assets increased $896,000, or 18.7%, to $5.7 million at December 31, 2023 from $4.8 million at December 31, 2022 primarily due to the downgrade of a commercial loan from special mention as a result of the Company’s most recent annual review. This loan was subsequently paid in full in February 2024.

Non-Performing Assets. We generally cease accruing interest on our loans when contractual payments of principal or interest have become 90 days delinquent unless the loan is well-secured and in the process of collection. Loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until the loan qualifies for return to accrual. Generally, loans are restored to accrual status when all the principal and interest amounts contractually due are brought current, and future payments are reasonably assured. Loans are moved to non-accrual status in accordance with our policy, which is typically after 90 days of non-payment.

The following table sets forth information regarding our non-performing assets.

Except as disclosed in the foregoing tables, there were no other loans at December 31, 2023 that are not already disclosed where there is information about possible credit problems of borrowers that caused us serious doubts about the ability of the borrowers to comply with present loan repayment terms and that may result in disclosure of such loans in the future.

(In thousands)	At December 31, 2023	At December 31, 2022
Non-accrual loans:		
Residential:		
One- to four-family	$ 2,277	$ 2,605
Commercial:		
Real estate - nonresidential	29	416
Commercial business	397	587
Consumer:		
Home equity and junior liens	85	172
Manufactured homes	323	368
Automobile	120	21
Student	25	68
Recreational vehicle	291	135
Other consumer	71	—
Total non-accrual loans	$ 3,618	$ 4,372
Real estate owned:		
Residential:		
One- to four-family	$ 118	$ 12
Total real estate owned	$ 118	$ 12
Total non-performing assets	$ 3,736	$ 4,384
Ratios:		
Total non-performing loans to total loans	1.13%	1.51%
Total non-performing loans to total assets	0.85%	1.13%
Total non-performing assets to total assets	0.88%	1.13%

Loan Modifications. Prior to the adoption of CECL on January 1, 2023, the Company was required to disclose certain activities related to Troubled Debt Restructuring ("TDR") in accordance with accounting guidance. Certain loans were 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.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses. In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

There were no loans that had been modified as a TDR during the year ended December 31, 2022.

At December 31, 2022, the Company had seven 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. At January 1, 2023, as part of the adoption of the CECL standard, two of these loans totaling $270,000 were returned to the general pool to be collectively reviewed as a result of making regularly scheduled payments as agreed. The remaining five loans totaling $2.2 million will continue to be individually reviewed although regularly scheduled payments have been made as agreed. There were no loans modified to borrowers experiencing financial difficulties during the year ended December 31, 2023.

Allowance for Credit Losses

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell. The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures.

Specific Allowances for Identified Problem Loans. We establish a specific allowance when loans are determined to be impaired. Loss is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral less estimated selling expenses. Factors in identifying a specific problem loan include: (1) the strength of the customer's personal or business cash flows; (2) the availability of other sources of repayment; (3) the amount due or past due; (4) the type and value of collateral; (5) the strength of our collateral position; (6) the estimated cost to sell the collateral; and (7) the borrower's effort to cure the delinquency. In addition, for loans secured by real estate, we consider the extent of any past due and unpaid property taxes applicable to the property serving as collateral on the mortgage.

General Valuation Allowance on the Remainder of the Loan Portfolio. The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is included in the estimate of credit losses. The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments: multi-family, commercial business, nonresidential real estate, manufactured homes, home equity loans, home equity lines of credit, residential real estate, commercial lines of credit, direct automobile, indirect automobile, other consumer, other consumer lines of credit, recreational vehicles, student loans, and residential construction loans. The Company utilizes a reasonable and supportable forecast period of 3 – 10 years depending on the portfolio segment. Subsequent to this forecast period the Company reverts, on a straight-line basis over the applicable segment period, to historical loss experience to inform its estimate of losses for the remaining contractual life of each portfolio.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and included adjustments for volume and loan mix, economics, and delinquency and loan quality. Loans that do not share risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs as appropriate.

Allowance for Credit Losses. The following table sets forth activity in our allowance for loan losses for the periods indicated.

(In thousands)	At December 31, 2023	At December 31, 2022
Allowance at beginning of period	$ 2,497	$ 1,841
Provision for loan losses	927	631
Charge offs:		
Residential:		
One- to four-family	(167)	(37)
Commercial:		
Commercial business	—	(14)
Consumer:		
Home equity and junior liens	(32)	(10)
Automobile	(142)	(59)
Student	(36)	(29)
Recreational vehicle	(173)	(1)
Other consumer	(9)	(2)
Total charge-offs	(559)	(152)
Recoveries:		
Residential:		
One- to four-family	4	18
Commercial:		
Commercial business	53	2
Consumer:		
Automobile	45	149
Student	5	3
Recreational vehicle	—	1
Other consumer	1	4
Total recoveries	108	177
Net (charge-offs) recoveries	(451)	25
Allowance at end of period	$ 2,973	$ 2,497
Allowance to non-performing loans	82.17%	57.11%
Allowance to total loans outstanding at the end of the period	0.93%	0.86%
Net charge-offs to average loans outstanding during the period	(0.14)%	0.01%
Residential mortgage net charge-offs to average loans outstanding	(0.05)%	(0.01)%
Commercial loan net charge-offs to average loans outstanding	0.02%	0.00%
Consumer loan net charge-offs to average loans outstanding	(0.11)%	0.02%

Allocation of Allowance for Credit Losses. The following table sets forth the allowance for credit losses allocated by loan category, the percentage of allowance in each category to total allocated allowance, and the percent of loans in each category to total loans at the dates indicated. The allowance for credit losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At December 31,					
	2023			2022		
(In thousands)	Allowance for Loan Losses	Percent of Allowance in Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
Residential:						
One- to four-family	$ 1,184	39.9%	52.4%	$ 787	31.5%	47.5%
Construction	—	0.0%	0.0%	2	0.1%	0.1%
Commercial:						
Real estate - nonresidential	495	16.7%	4.5%	319	12.8%	5.7%
Multi-family	—	0.0%	0.3%	4	0.2%	0.3%
Commercial business	206	6.9%	5.9%	248	9.9%	4.0%
Consumer:						
Home equity and junior liens	102	3.4%	4.2%	65	2.6%	4.0%
Manufactured homes	—	0.0%	15.1%	110	4.4%	17.6%
Automobile	242	8.1%	7.0%	135	5.4%	8.4%
Student	12	0.4%	0.5%	55	2.2%	0.6%
Recreational vehicle	369	12.4%	7.1%	646	25.9%	9.3%
Other consumer	363	12.2%	3.0%	126	5.0%	2.5%
Total allocated allowance	$ 2,973	100.0%	100.0%	$ 2,497	100.0%	100.0%

At December 31, 2023, our allowance for credit losses represented 0.93% of total loans and 82.2% of nonperforming loans. Nonperforming loans decreased $754,000, or 17.2%, to $3.6 million at December 31, 2023 from $4.4 million at December 31, 2022. The decrease resulted primarily from decreases in nonresidential, one- to four-family residential real estate, and commercial business loans. Nonresidential loans decreased $387,000 as a result of a foreclosure of a nonresidential property. One- to four-family residential real estate loans decreased $328,000 primarily due to seven loan payoffs totaling $551,000, six foreclosures totaling $396,000, and six loan upgrades to accrual status totaling $272,000, partially offset by 14 loans being downgraded to nonaccrual status totaling $1.0 million. Commercial business loans decreased $190,000 primarily due to one foreclosure totaling $73,000, loan amortization of $77,000, and one loan payoff for $40,000.

Investment Activities

General. The goals of our investment policy are to provide and maintain liquidity to meet day-to-day, cyclical, and long-term liquidity needs, to help mitigate interest rate and market risk within the parameters of our interest rate risk policy, and to generate a dependable flow of earnings within the context of our interest rate and credit risk objectives. Subject to loan demand and our interest rate risk analysis, we may increase the balance of our investment securities portfolio when we have excess liquidity.

Our investment policy was adopted and is reviewed at least annually by the Board of Directors. All investment decisions require the approval of the Chief Executive Officer or Chief Financial Officer. The Chief Financial Officer provides an investment schedule detailing the investment portfolio which is reviewed at least monthly by the Bank’s asset-liability committee and the Board of Directors.

Our current investment policy permits, with certain limitations, investments in United States Treasury securities, securities issued by the United States Government and its agencies or government sponsored enterprises including mortgage-backed securities and collateralized mortgage obligations (“CMO”) issued by Fannie Mae, Ginnie Mae, and Freddie Mac, equity securities, corporate bonds and obligations, debt securities of states and municipalities, commercial paper, certificates of deposits in other financial institutions, and bank-owned life insurance.

At December 31, 2023, our investment portfolio consisted of securities and obligations issued by State and local municipalities, corporate bonds, structured certificates of deposit, equity securities consisting of mutual funds, and to a lesser extent mortgage-backed securities. At December 31, 2023, we owned $1.6 million of Federal Home Loan Bank stock. As a member of the Federal Home Loan Bank of New York, we are required to purchase stock in the Federal Home Loan Bank of New York, which stock is carried at cost and classified as restricted equity securities.

Corporate Bonds. Generations Bank invests in corporate debt instruments with fixed and variable rates. At December 31, 2023, this portfolio consisted of $5.7 million of variable rate instruments and $9.3 million in fixed rate instruments, of which $6.7 million will become variable rate in the future. The bonds with variable rates reprice periodically based on the differential spread between intermediate Treasury bond yields and long-term Treasury bond yields and a fixed hurdle of 25-50 basis points, or a fixed spread over Prime or a predetermined index. All the bonds are callable except for one $79,000 bond. $9.4 million of the corporate bond portfolio are perpetual bonds with no terminal maturity dates; however, we anticipate these bonds will be called based the on the relative coupons and rate structures and upon anticipated changes in regulations pertaining to the securities. We maintain this portfolio for regular cash flow and providing protection over higher rates.

Management believes the credit risk on its corporate debt instruments portfolio is low. The securities are issued by entities with significant markets and strong balance sheets. Management receives quarterly updates on the issuing entities and evaluates their performance based on rating services and peers with the assistance of a third-party investment management service.

State and Political Subdivision Securities. Generations Bank and its subsidiary Generations Commercial Bank purchase state and political subdivision securities in order to: (i) generate positive interest rate spread with minimal administrative expense; (ii) lower credit risk as a result of purchasing general obligations which are subject to the levy of *ad valorem* taxes within the municipalities' jurisdiction; (iii) increase liquidity, (iv) provide low cost funding to the local communities within our market area, and (v) serve as collateral for municipal deposits in excess of FDIC limits. State and political subdivision securities purchased within New York State are exempt from Federal income tax and are zero apportionment for New York State income tax purposes. As a result, the yields on these securities as reported within the financial statements, are lower than would be attained on other investment options. The portfolio consists of either short-term obligations, due within one year, or are serial or statutory installment bonds which require semi-annual or annual payments of principal and interest. We believe that the prepayment risk on these securities is low as most of the bonds are newly issued in a historically low interest rate environment.

Management believes that credit risk on its state and political subdivision securities portfolio is low. Management analyzes each security prior to purchase and closely monitors these securities by obtaining data collected from the New York State Comptroller's office when published annually. Management also reviews any underlying ratings of the securities in its assessment of credit risk.

Mortgage-Backed Securities. At December 31, 2023, we had mortgage-backed securities with a carrying value of $824,000. Mortgage-backed securities are securities issued in the secondary market that are collateralized by pools of mortgages. Certain types of mortgage-backed securities are commonly referred to as "pass-through" certificates because the principal and interest of the underlying loans is "passed through" to investors, net of certain costs, including servicing and guarantee fees. Mortgage-backed securities typically are collateralized by pools of one- to four-family or multi-family mortgages, although we invest primarily in mortgage-backed securities backed by one- to four-family mortgages. The issuers of such securities pool and resell the participation interests in the form of securities to investors such as Generations Bank. The interest rate of the security is lower than the interest rates of the underlying loans to allow for payment of servicing and guaranty fees. All of our mortgage-backed securities are backed by either Freddie Mac, Ginnie Mae, or Fannie Mae, which are government-sponsored enterprises.

Residential mortgage-backed securities issued by United States Government agencies and government-sponsored enterprises are more liquid than individual mortgage loans because there is an active trading market for such securities. In addition, residential mortgage-backed securities may be used to collateralize our borrowings. Investments in residential mortgage-backed securities involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may require adjustments to the amortization of any premium or accretion of any discount relating to such interests, thereby affecting the net yield on our securities. Current prepayment speeds determine whether prepayment estimates require modification that could cause amortization or accretion adjustments.

Portfolio Maturities and Yields. The composition and maturities of our investment securities portfolio at December 31, 2023 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. Weighted average yield is calculated by multiplying the amortized cost of the individual securities in a security type by their respective interest rates and then dividing the total interest income calculated for the security type by the total amortized cost of the security type. No tax-equivalent yield adjustments were made, as the effect thereof was not material.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
(In thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
Securities available for sale:											
Residential mortgage-backed- US agency and GSEs	$ —	0.00%	$ 3	5.63%	$ —	0.00%	$ 17	5.26%	$ 20	$ 20	5.32%
Corporate bonds	835	5.10%	209	4.87%	2,270	3.84%	13,928	6.03%	17,242	15,047	5.68%
State and political subdivisions	386	1.62%	3,336	2.16%	3,415	2.05%	10,451	3.03%	17,588	16,235	2.64%
Total available for sale	$ 1,221		$ 3,548		$ 5,685		$ 24,396		$ 34,850	$ 31,302	
Securities held to maturity:											
Structured certificates of deposit	$ —	0.00%	$ —	0.00%	$ —	0.00%	$ 650	2.31%	$ 650	$ 442	2.31%
Residential Mortgage-backed- US agency and GSEs	—	0.00%	—	0.00%	15	6.59%	789	3.57%	804	784	3.63%
Total	$ —		$ —		$ 15		$ 1,439		$ 1,454	$ 1,226	

Sources of Funds

General. Deposits have traditionally been the primary source of funds for use in lending and investment activities. We also use borrowings, primarily Federal Home Loan Bank advances, to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk purposes and to manage the cost of funds. In addition, funds are derived from scheduled loan payments, investment maturities, loan prepayments, retained earnings, and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions, and levels of competition.

Deposits. Our deposits are generated primarily from residents within our primary market area. We offer a selection of deposit accounts, including demand accounts, NOW accounts, money market accounts, savings accounts, and certificates of deposit. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit, and the interest rate. In recent years we have emphasized, subject to market conditions, demand, interest-bearing checking, and savings accounts. Also, we participate in reciprocal deposit services for our customers through the Certificate Deposit Account Registry Service ("CDARS") and Insured Cash Sweep networks, which are currently considered by the bank regulators, to be brokered deposits. At December 31, 2023, we participated out approximately $59.9 million of our certificates of deposit, representing 16.7% of our total deposits, through these reciprocal deposit services. At December 31, 2023, these certificates of deposit had an average term to maturity of 5.6 months. Early withdrawal of these deposits is not permitted, which makes these accounts a more stable source of funds.

Interest rates paid, maturity terms, service fees, and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors, and growth goals. We rely upon personalized customer service, long-standing relationships with customers, and the favorable image of Generations Bank in the community to attract and retain deposits.

The flow of deposits is influenced significantly by general economic conditions, changes in interest rates, and competition. Our ability to gather deposits is affected by the competitive market in which we operate, which includes numerous financial institutions of varying sizes offering a wide range of products.

Generations Commercial Bank (the "Commercial Bank"), a New York State chartered limited-purpose commercial bank, formed expressly to enable local municipalities to deposit public funds with the Commercial Bank, opened for business on January 2, 2019. At December 31, 2023, the Commercial Bank deposits were $9.2 million, and none were in reciprocal deposit balances.

The following table sets forth the distribution of our average total deposit accounts, by account type, for the periods indicated.

	At December 31,					
	2023			2022		
(In thousands)	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
Deposit type:						
Non-interest-bearing checking	$ 39,186	11.0%	0.00 %	$ 57,452	18.5%	0.00 %
Interest-bearing checking	63,859	17.9%	1.05 %	34,994	11.2%	0.20 %
Money market	21,902	6.1%	1.69 %	31,249	10.0%	0.35 %
Savings	86,799	24.3%	0.88 %	108,571	34.9%	0.38 %
Time deposits	145,367	40.7%	4.53 %	79,013	25.4%	2.49 %
Total deposits	$ 357,113	100.0%		$ 311,279	100.0%	

The Bank has significant (defined as a deposit relationship above $250,000) exposure to businesses or organizations operating across the following industries: Municipalities (Libraries, Schools, Towns and Villages, etc.), Mortgage Brokers, Insurance Agencies, Wineries, Estates and Trusts, Housing Developments and Agencies, as well as various other not for profit entities. At December 31, 2023, these relationships accounted for approximately $34.0 million of the Bank's total deposit base. As of December 31, 2023 and 2022, the aggregate amount of uninsured deposits (deposits in amounts greater than or equal to $250,000 which is the maximum amount for federal deposit insurance) was $35.9 million and $35.3 million, respectively. In addition, as of December 31 2023 and 2022, the aggregate amount of all our uninsured certificates of deposit was $7.0 million and $7.1 million, respectively. The following table sets forth the maturity of those certificates.

	At December 31,	
(In thousands)	2023	2022
Maturity Period:		
Three months or less	$ 1,096	$ 1,597
Over three months through six months	54	2,366
Over six months through twelve months	5,087	2,583
Over twelve months	778	541
Total	$ 7,015	$ 7,087

Borrowings. We may obtain advances from the Federal Home Loan Bank by pledging as security our capital stock in the Federal Home Loan Bank and certain of our mortgage loans. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. To the extent such borrowings have different terms to repricing than our deposits, they can change our interest rate risk profile. At December 31, 2023, we had $23.6 million of Federal Home Loan Bank advances. In addition to funding portfolio loans, we sometimes use Federal Home Loan Bank advances for short-term funding needs.

Generations Bank also has a $10.0 million line of credit with a correspondent bank. At December 31, 2023, there were no outstanding advances on this line. Generations Bank has two additional Fed funds lines of credit with other financial institutions totaling $10.5 million. These lines are unsecured. At December 31, 2023, there were no outstanding advances on these lines.

Employees

At December 31, 2023, we had 71 full-time employees and three part-time employees. Management believes that we have a good working relationship with our employees.

SUPERVISION AND REGULATION

General

Generations Bank is a federally chartered savings bank and Generations Commercial Bank is a New York-chartered bank. The Federal Deposit Insurance Corporation ("FDIC") through the Deposit Insurance Fund insures their deposit accounts up to applicable limits. Generations Bank and Generations Commercial Bank are subject to extensive regulation by the Office of the Comptroller of the Currency (the "OCC") and the New York State Department of Financial Services (the "Department"), respectively, as their chartering agencies, and by the FDIC, as their deposit insurer. Generations Bank and Generations Commercial Bank are required to file reports with, and are periodically examined by the OCC and the Department, respectively, as well as the FDIC concerning their activities and financial condition, and must obtain regulatory approvals prior to entering into certain transactions, including, but not limited to, mergers with or acquisitions of other banking institutions. Generations Bank is a member of the Federal Home Loan Bank of New York and is subject to certain regulations by the Federal Home Loan Bank System. Generations Bancorp, a savings and loan holding company, is subject to regulation and examination by, and is required to file reports with, the Federal Reserve Board.

Under this system of regulation, the regulatory authorities have extensive discretion in connection with their supervisory, enforcement, rulemaking and examination activities and policies, including rules or policies that: establish minimum capital levels; restrict the timing and amount of dividend payments; govern the classification of assets; determine the adequacy of loan loss reserves for regulatory purposes; and establish the timing and amounts of assessments and fees. Moreover, as part of their examination authority, the banking regulators assign numerical ratings to banks and savings institutions relating to capital, asset quality, management, liquidity, earnings and other factors. These ratings are inherently subjective and the receipt of a less than satisfactory rating in one or more categories may result in enforcement action by the banking regulators against a financial institution. A less than satisfactory rating may also prevent a financial institution, such as Generations Bank or its holding company, from obtaining necessary regulatory approvals to access the capital markets, pay dividends, acquire other financial institutions or establish new branches.

In addition, we must comply with significant anti-money laundering and anti-terrorism laws and regulations, Community Reinvestment Act laws and regulations, and fair lending laws and regulations. Government agencies have the authority to impose monetary penalties and other sanctions on institutions that fail to comply with these laws and regulations, which could significantly affect our business activities, including our ability to acquire other financial institutions or expand our branch network.

In addition to its requirement to comply with the rules and regulations of the Federal Reserve Board, Generations Bancorp is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any future laws or regulations, whether enacted by Congress or implemented by the FDIC, the OCC, the Department or the Federal Reserve Board, could have a material adverse impact on Generations Bank, Generations Commercial Bank or Generations Bancorp.

Certain of the regulatory requirements applicable to Generations Bank, Generations Commercial Bank and Generations Bancorp are referred to below or elsewhere herein.

Federal Banking Regulation

Business Activities. A federal savings bank derives its lending and investment powers from the Home Owners' Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, Generations Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. Generations Bank may also establish subsidiaries that may engage in certain activities not otherwise permissible for Generations Bank, including real estate investment and securities and insurance brokerage.

Capital Requirements. Federal regulations require federally insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets ratio of 8.0%, and a 4.0% Tier 1 capital to total assets leverage ratio.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for credit losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that made such an election regarding the treatment of Accumulated Other Comprehensive Income, up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the Accumulated Other Comprehensive Income opt-out have it incorporated into common equity Tier 1 capital (including unrealized gains and losses on investment securities available-for-sale). Generations Bank and Generations Commercial Bank have exercised this one-time opt-out and therefore do not include AOCI in their regulatory capital determinations. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations. In assessing an institution's capital adequacy, the OCC takes into consideration not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary.

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

At December 31, 2023, Generations Bank's capital exceeded all applicable requirements.

Loans-to-One Borrower. Generally, a federal savings bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. At December 31, 2023, Generations Bank complied with the loans-to-one borrower limitations.

Qualified Thrift Lender Test. As a federal savings bank, Generations Bank must satisfy the qualified thrift lender, or "QTL," test. Under the QTL test, Generations Bank must maintain at least 65% of its "portfolio assets" in "qualified thrift investments" (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of the most recent 12-month period. "Portfolio assets" generally means total assets of a savings association, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings association's business.

Generations Bank also may satisfy the QTL test by qualifying as a "domestic building and loan association" as defined in the Internal Revenue Code of 1986, as amended. This test generally requires a savings association to have at least 75% of its deposits held by the public and earn at least 25% of its income from loans and U.S. government obligations. Alternatively, a savings association can satisfy this test by maintaining at least 60% of its assets in cash, real estate loans and U.S. Government or state obligations.

A savings association that fails the qualified thrift lender test must operate under specified restrictions set forth in the Home Owners' Loan Act. The Dodd-Frank Act made noncompliance with the QTL test subject to agency enforcement action for a violation of law. At December 31, 2023, Generations Bank satisfied the QTL test.

Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to the savings association's capital account. A federal savings association must file an application with the OCC for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings association's net income for that year to date plus the savings association's retained net income for the preceding two years;

- the savings association would not be at least adequately capitalized following the distribution;

- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings association is not eligible for expedited treatment of its filings, generally due to an unsatisfactory CAMELS rating or being subject to a cease and desist order or formal written agreement that requires action to improve the institution's financial condition.

Even if an application is not otherwise required, every savings association that is a subsidiary of a savings and loan holding company, such as Generations Bank, must still file a notice with the Federal Reserve Board at least 30 days before the board of directors declares a dividend or approves a capital distribution.

A notice or application related to a capital distribution may be disapproved if:

- the federal savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings association also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Community Reinvestment Act and Fair Lending Laws. All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. In connection with its examination of a federal savings association, the OCC is required to assess the federal savings association's record of compliance with the Community Reinvestment Act. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the Federal Deposit Insurance Corporation to publicly disclose their rating. Generations Bank received a "needs improvement" Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. A federal savings association's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with, an insured depository institution such as Generations Bank. Generations Bancorp is an affiliate of Generations Bank because of its control of Generations Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

Generations Bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and

- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of Generations Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by Generations Bank's board of directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The OCC has primary enforcement responsibility over federal savings associations and has authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings association. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the OCC that enforcement action be taken with respect to a particular savings association. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Interstate Banking and Branching. Federal law permits well capitalized and well managed holding companies to acquire banks in any state, subject to Federal Reserve Board approval, certain concentration limits and other specified conditions. Interstate mergers of banks are also authorized, subject to regulatory approval and other specified conditions. In addition, among other things, amendments made by the Dodd-Frank Act permit banks to establish de novo branches on an interstate basis provided that branching is authorized by the law of the host state for the banks chartered by that state.

Prompt Corrective Action. Federal law requires, among other things, that federal bank regulators take "prompt corrective action" with respect to institutions that do not meet minimum capital requirements. For this purpose, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The applicable OCC regulations were amended to incorporate the previously mentioned increased regulatory capital standards. Under the amended regulations, an institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends, and restrictions on the acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. An undercapitalized bank's compliance with a capital restoration plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5.0% of the institution's total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an "undercapitalized" bank fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" banks must comply with one or more of a number of additional restrictions, including but not limited to a regulatory order to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, ceasing receipt of deposits from correspondent banks, dismissal of directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. "Critically undercapitalized" institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

At December 31, 2023, Generations Bank met the criteria for being considered "well capitalized."

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC-insured financial institutions such as Generations Bank. Deposit accounts in Generations Bank are insured by the FDIC generally up to a maximum of $250,000 per separately insured depositor. The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund.

Under the FDIC's risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other risk factors. Rates are based on each institution's risk category and certain specified risk adjustments. Institutions deemed to be less risky pay lower rates while institutions deemed riskier pay higher rates. Assessment rates (inclusive of possible adjustments) currently range from 2 1/2 to 45 basis points of each institution's total assets less tangible capital. The FDIC may increase or decrease the scale uniformly, except that no adjustment can deviate more than two basis points from the base scale without notice and comment rulemaking. The FDIC's current system represents a change, required by the Dodd-Frank Act, from its prior practice of basing the assessment on an institution's deposits.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of Generations Bank. We cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not know of any practice, condition or violation that may lead to termination of our deposit insurance.

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

USA PATRIOT Act. Generations Bank is subject to the USA PATRIOT Act, which gives federal agencies additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. The USA PATRIOT Act contains provisions intended to encourage information sharing among bank regulatory agencies and law enforcement bodies and imposes affirmative obligations on financial institutions, such as enhanced recordkeeping and customer identification requirements.

Prohibitions Against Tying Arrangements. Federal savings associations are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Other Regulations

Interest and other charges collected or contracted for by Generations Bank are subject to state usury laws and federal laws concerning interest rates. Loan operations are also subject to state and federal laws applicable to credit transactions, such as the:

- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies; and

- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws. The deposit operations of Generations Bank are also subject to, among others, the:

  - Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

  - Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check; and

  - Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Federal Reserve System

The Federal Reserve Board regulations require federal savings banks to maintain noninterest-earning reserves against their transaction accounts, such as negotiable order of withdrawal and regular checking accounts. In April 2020, due to a change in its approach to monetary policy, the Board of Governors of the Federal Reserve System announced an interim rule to amend Regulation D requirements and reduce reserve requirement ratios to zero. The Federal Reserve Board has indicated that it has no plans to re-impose reserve requirements, but may do so in the future if conditions warrant. At December 31, 2023, Generations Bank was in compliance with these reserve requirements.

Federal Home Loan Bank System

As a member of the Federal Home Loan Bank of New York, Generations Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank of New York provides a central credit facility primarily for member institutions. Members of the Federal Home Loan Bank of New York are required to acquire and hold shares of capital stock in the Federal Home Loan Bank of New York. Generations Bank complied with this requirement at December 31, 2023. Based on redemption provisions of the Federal Home Loan Bank of New York, the stock has no quoted market value and is carried at cost. Generations Bank reviews for impairment, based on the ultimate recoverability, the cost basis of the Federal Home Loan Bank of New York stock. At December 31, 2023, no impairment had been recognized.

Holding Company Regulation

Generations Bancorp is a savings and loan holding company subject to regulation and supervision by the Federal Reserve Board. The Federal Reserve Board has enforcement authority over Generations Bancorp and its non-savings institution subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a risk to Generations Bank or Generations Commercial Bank.

As a savings and loan holding company, Generations Bancorp's activities are limited to those activities permissible by law for financial holding companies (if Generations Bancorp makes an election to be treated as a financial holding company and meets the other requirements to be a financial holding company) or multiple savings and loan holding companies. Generations Bancorp has no present intention to make an election to be treated as a financial holding company. A financial holding company may engage in activities that are financial in nature, incidental to financial activities or complementary to a financial activity. Such activities include lending and other activities permitted for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, insurance and underwriting equity securities. Multiple savings and loan holding companies are authorized to engage in activities specified by federal regulation, including activities permitted for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act.

Federal law prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or savings and loan holding company without prior written approval of the Federal Reserve Board, and from acquiring or retaining control of any depository institution not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider such factors as the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on and the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors. A savings and loan holding company may not acquire a savings institution in another state and hold the target institution as a separate subsidiary unless it is a supervisory acquisition or the law of the state in which the target is located authorizes such acquisitions by out-of-state companies.

Capital Requirements. Savings and loan holding companies of under $3 billion in consolidated assets remain exempt from consolidated regulatory capital requirements, unless the Federal Reserve Board determines otherwise in particular cases.

Source of Strength. The Federal Reserve Board has promulgated regulations implementing the “source of strength” doctrine that require holding companies to act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Dividends and Share Repurchases. The Federal Reserve Board has issued supervisory policies regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies and savings and loan holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization’s capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the company’s net income for the past four quarters, net of capital distributions previously paid over that period, is insufficient to fully fund the dividend or the company’s overall rate of earnings retention is inconsistent with the company’s capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. The policy statement also states that a holding company should inform the Federal Reserve Board supervisory staff before redeeming or repurchasing common stock or perpetual preferred stock if the holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of Generations Bancorp to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Commercial Bank Regulation

Our commercial bank, Generations Commercial Bank, derives its authority primarily from the applicable provisions of the New York Banking Law and the regulations adopted under that law. Generations Commercial Bank is limited in its investments and the activities that it may engage in to those permissible under applicable state law and those permissible for national banks and their subsidiaries, unless those investments and activities are specifically permitted by the Federal Deposit Insurance Act or the FDIC determines that the activity or investment would pose no significant risk to the deposit insurance fund. We limit our commercial bank activities to accepting municipal deposits and acquiring municipal and other securities.

Under New York Banking Law, Generations Commercial Bank is not permitted to declare, credit or pay any dividends if its capital stock is impaired or would be impaired as a result of the dividend. In addition, the New York Banking Law provides that our commercial bank cannot declare or pay dividends in any calendar year in excess of “net profits” for such year combined with “retained net profits” of the two preceding years, less any required transfer to surplus or a fund for the retirement of preferred stock, without prior regulatory approval.

Our commercial bank is subject to minimum capital requirements imposed by the FDIC that are substantially similar to the capital requirements imposed on Generations Bank, discussed above. Capital requirements higher than the generally applicable minimum requirements may be established for a particular bank if the FDIC determines that a bank’s capital is, or may become, inadequate in view of the bank’s particular circumstances. Failure to meet capital guidelines could subject a bank to a variety of enforcement actions, including actions under the FDIC’s prompt corrective action regulations.

At December 31, 2023, Generations Commercial Bank met the criteria for being considered "well-capitalized."

Federal Securities Laws

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

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

Sarbanes-Oxley Act of 2002

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

Change in Control Regulations

Under the Change in Bank Control Act, a federal law, no person may acquire control of a savings and loan holding company, such as Generations Bancorp, unless the Federal Reserve Board has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the institution's directors, or a determination by the regulator that the acquirer has the power, directly or indirectly, to exercise a controlling influence over the management or policies of the institution. Acquisition of more than 10% of any class of a savings and loan holding company's voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as is the case with Generations Bancorp, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

In addition, federal regulations provide that no company may acquire control of a savings and loan holding company without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a "savings and loan holding company" subject to registration, examination and regulation by the Federal Reserve Board.

Emerging Growth Company Status

Generations Bancorp is an emerging growth company. For as long as Generations Bancorp continues to be an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, Generations Bancorp also is not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We have also elected 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. Such an election is irrevocable during the period a company is an emerging growth company. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

Generations Bancorp will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the completion of the second-step conversion; (ii) the first fiscal year after our annual gross revenues are $1.235 billion or more; (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million at the end of the second quarter of that fiscal year. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

TAXATION

Generations Bancorp, Generations Bank, Generations Commercial Bank, and Generations Agency are subject to federal and state income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal and state taxation is intended only to summarize certain pertinent tax matters and is not a comprehensive description of the tax rules applicable to these entities.

Our federal and state tax returns are statutorily subject to potential audit for the years 2020 through 2023. No income tax returns are under audit as of the date of this report.

Federal Taxation

Method of Accounting. For federal income tax purposes, Generations Bancorp, Generations Bank, Generations Commercial Bank, and Generations Agency currently report their income and expenses on the accrual method of accounting and use a tax year ending December 31 for filing consolidated federal income tax returns.

Net Operating Loss Carryovers. For net operating losses incurred prior to January 1, 2018, a company may carry back those net operating losses to the preceding two taxable years and forward to the succeeding 20 taxable years. For net operating losses incurred after December 31, 2017, a company may carry forward those net operating losses indefinitely to offset up to 80% of their federal taxable income. At December 31, 2023, Generations Bancorp had pre-2018 net operating loss carryforwards of approximately $860,000 which expire in years 2033-2037. Additionally, Generations Bancorp has loss carryforwards of $5.7 million with no expiration period. At December 31, 2023, Generations Bancorp had a full valuation allowance against their net operating loss carryforwards.

Capital Loss Carryovers. A corporation cannot recognize capital losses in excess of capital gains generated. Generally, a financial institution may carry back capital losses to the preceding three taxable years and forward to the succeeding five taxable years. Any capital loss carryback or carryover is treated as a short-term capital loss for the year to which it is carried. As such, it is grouped with any other capital losses for the year to which carried and is used to offset any capital gains. Any undeducted loss remaining after the five-year carryover period is not deductible. At December 31, 2023, Generations Bancorp had a capital loss carryover of $121,000 with a full valuation allowance against it.

Corporate Dividends-Received Deduction. Generations Bancorp may generally exclude from its federal taxable income 100% of dividends received from Generations Bank as a wholly owned subsidiary by filing a consolidated return. The corporate dividends received deduction is 65% when the corporation receiving the dividend owns at least 20% of the stock of the distributing corporation. The dividends received deduction is 50% when the corporation receiving the dividend owns less than 20% of the distributing corporation.

State Taxation

New York State Taxation. Generations Bancorp, Generations Bank, Generations Commercial Bank, and Generations Agency report income on a combined calendar year basis to New York State. The New York State franchise tax is imposed in an amount equal to the greater of 6.5% of Business Income, 0.1875% of average Business Capital, or a fixed dollar amount based on New York sourced gross receipts. All intercompany dividend distributions are eliminated in the calculation of Combined Business Income. Taxable income is apportioned to New York State based on the location of the taxpayer’s customers, with special rules for income from certain financial transactions. The location of the taxpayer’s offices and branches are not relevant to the determination of income apportioned to New York State. Business Income subtraction modifications are available to qualified community banks and thrift institutions based on its qualified loan portfolio. Qualified institutions are entitled to a subtraction modification based on interest income from qualifying loans that reduces the income taxable to New York State.

Maryland State Taxation. As a Maryland business corporation, Generations Bancorp is required to file an annual report with and pay franchise taxes to the State of Maryland.

Item 1A. RISK FACTORS

The presentation of Risk Factors is not required for smaller reporting companies like Generations Bancorp NY, Inc.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity is a significant and integrated component of the Company's risk management strategy. As a financial services company, cyber threats are present and growing, and the potential exists for a cybersecurity incident to occur, which could disrupt business operations or compromise sensitive data. To date, the Company has not, to its knowledge, experienced an incident materially affecting or reasonably likely to materially affect the Company.

To prepare and respond to incidents, the Company has implemented a multi-layered cybersecurity strategy, integrating people, technology, and processes. This includes employee training, the use of innovative technologies, and the implementation of policies and procedures in the areas of Information Security, Data Governance, Business Continuity and Disaster Recovery, Privacy, Third-Party Risk Management, and Incident Response. The Company engages third-party consultants and independent auditors to, among other things, conduct penetration tests and perform cybersecurity risk assessments and audits.

The Technology Advancement Department of the Company is primarily responsible for identifying, assessing and managing material risks from cybersecurity threats. The Technology Advancement Department is managed by the Board-appointed Chief Information Officer (the "CIO") who reports directly to the Company's Chief Executive Officer. The CIO has more than 12 years of experience with the Company and additional years of experience in the information technology ("IT") field. The CIO also oversees the Company's Cybersecurity Program, which is governed by various information security and cybersecurity, systems development, change control, disaster recovery/business continuity and physical asset classification and control policies. The Cybersecurity Program identifies data sources, threats and vulnerabilities and ensures awareness, accountability, and oversight for data protection throughout the Company and with trusted third parties to ensure that data is protected and able to be recovered in the event of a breach or failure (technical or other disaster). The Technology Advancement Department conducts on-going technology and IT threat meetings to ensure the latest threats are addressed in addition to penetration, business continuity/ disaster recovery testing, and incident response plan testing. The CIO is a member of various management committees, chairs the Company's management-level Information Security Steering Committee, and presents information security and cybersecurity updates on a monthly basis to the Company's Board of Directors.

As referenced above, the CIO provides information security updates to the Board of Directors at each Board meeting. Additional information security training to the committee is provided through a management Information Security Steering Committee and also through targeted training overseen by the CIO. In addition, as discussed below, the Company has implemented an Incident Response Plan, which is integrated into its Cybersecurity Policy, to provide a structured and systematic incident response process for information security incidents that affect any of the information technology systems, network, or data of the Company. The Incident Response Plan is implemented and maintained by the CIO and is subject to annual review and approval by the Board of Directors. Cybersecurity metrics are reported to both management level committees and the Board of Directors on a monthly basis.

The Board of Directors recognizes the importance of the Interagency Guidelines Establishing Standards for Safeguarding Customer Information and has incorporated those elements in its ongoing oversight of the Cybersecurity Program.

Risk Assessment. On a periodic basis, but not less than annually, the Chief Information Officer, in conjunction with the Board of Directors, identifies and documents internal and external vulnerabilities that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer records. Based on the results of the risk assessment, the Company's Cybersecurity Program may be revised to protect against any anticipated threats or hazards to the security or integrity of such information. The Board of Directors changes to the program designed to monitor, measure, and respond to vulnerabilities identified.

Response to Security Vulnerabilities. In response to identified risks, management may take certain steps to correct and respond to security vulnerabilities, which may include:

- Eliminating unwarranted risks by applying vendor-provided software fixes, commonly called patches.
- Ensuring that changes to security configurations are documented, approved, and tested.
- Ensuring that exploitable files and services are assessed and removed or disabled based upon known vulnerabilities and business needs.
- Updating vulnerability scanning and intrusion detection tools to identify known vulnerabilities and related unauthorized activities.
- Conducting subsequent penetration testing and vulnerability assessments, as warranted.
- Reviewing performance with service providers to ensure security maintenance and reporting responsibilities are operating according to contract provisions and that service providers provide notification of system security breaches that may affect the Company.

Internal Controls, Audit, and Testing. Regular internal monitoring is integral to the Company's risk assessment process, which includes regular testing of internal key controls, systems, and procedures. In addition, independent third-party penetration testing to test the effectiveness of security controls and preparedness measures is conducted at least annually or more often, if warranted by the risk assessment or other external factors. Management determines the scope and objectives of the penetration analysis.

Service Providers. Like many companies, the Company relies on third-party vendor solutions to support its operations. Many of these vendors, especially in the financial services industry, have access to sensitive and proprietary information. In order to mitigate the operational, informational and other risks associated with the use of vendors, the Company maintains a Third-Party Risk Management Program, which is implemented through a Vendor Management Policy and includes a detailed onboarding process and periodic reviews of vendors with access to sensitive the Company data. The Vendor Management Policy applies to any business arrangement between the Company and another individual or entity, by contract or otherwise, in compliance with the Interagency Guidance on Third-Party Relationships: Risk Management. The Vendor Management Program is audited as part of the Company's annual Internal Audit Risk Assessment.

Employees and Training. Employees are the first line of defense against cybersecurity measures. Each employee is responsible for protecting Company and client information. Employees are provided training at initial onboarding and thereafter regarding information security and cybersecurity-related policies and procedures applicable to their respective roles within the organization. In addition, employees are subjected to regular simulated phishing assessments, designed to sharpen threat detection and reporting capabilities. In addition to training, employees are supported with solutions designed to identify, prevent, detect, respond to, and recover from incidents. Notable technologies include firewalls, intrusion detection systems, security automation and response capabilities, user behavior analytics, multi-factor authentication, data backups to immutable storage and business continuity applications. Notable services include 24/7 security monitoring and response, continuous vulnerability scanning, third-party monitoring, and threat intelligence.

Board Reporting. At least annually, the CIO reports to the Board the overall status of the Cybersecurity Program and the Company's compliance with the Interagency Guidelines for Safeguarding Customer Information. Any material findings related to the risk assessment, risk management and control decisions, service provider arrangements, results of testing, security breaches or violations are discussed as are management's responses and any recommendations for program changes.

Program Adjustments. The CIO monitors, evaluates, and adjusts the Cybersecurity Program considering any relevant changes in technology, the sensitivity of its customer information, internal or external threats to information, and changing business arrangements, such as mergers and acquisitions, alliances and joint ventures, outsourcing arrangements, and changes to customer information systems.

Incident Response Plan. To ensure that information security incidents can be recovered from quickly and with the least impact to the Company and its customers, the Company maintains a structured and systematic incident response plan (the "IRP") for all information security incidents that affect any of the IT systems, network, or data of the Company, including the Company's data held, or IT services provided by third-party vendors or other service providers. The CIO is responsible for implementing and maintaining the IRP, which includes:

- Identifying the incident response team ("IRT") and any appropriate sub-teams to address specific information security incidents, or categories of information security incidents.
- Coordinating IRT activities, including developing, maintaining, and following appropriate procedures to respond to and document identified information security incidents.

- Conducting post-incident reviews to gather feedback on information security incident response procedures and address any identified gaps in security measures.
- Providing training and conducting periodic exercises to promote employee and stakeholder preparedness and awareness of the IRP.
- Reviewing the IRP at least annually, or whenever there is a material change in The Company's business practices that may reasonably affect its cyber incident response procedures.

Item 2. Properties

As of December 31, 2023, the net book value of our real properties, including land, was $13.4 million. The following table sets forth information regarding our offices at December 31, 2023.

Location	Leased or Owned	Year Acquired or Leased
Main Office:		
Corporate Headquarters, 20 E Bayard St, Seneca Falls NY 13148	Owned	2013
Branch Offices:		
19 Cayuga Street, Seneca Falls NY 13148	Owned	1977
342 Hamilton Street, Geneva NY 14456	Owned	2004
10 Osborne Street, Auburn NY 13021	Owned	2008
152 Cayuga Street, Union Springs, NY 13160	Owned	2009
89 Main Street, Phelps NY 14532	Owned	2009
1865 North Road, Waterloo NY 13165	Owned	2010
621 N. Seward Avenue, Auburn NY 13021	Owned	2011
6120 State Route #96, Farmington NY 14425	Owned	2014
11182 Maple Ridge Road, Medina NY 14103	Owned	2018

Item 3. Legal Proceedings

We are not involved in any pending legal proceedings as a plaintiff or defendant other than routine legal proceedings occurring in the ordinary course of business, and at December 31, 2023, we were not involved in any legal proceedings, the outcome of which would be material to our financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

(a) Market, Holder, and Dividend Information

The Company's common stock is listed on the NASDAQ Capital Market under the symbol "GBNY." The approximate number of holders of record of the Company's common stock as of March 11, 2024 was 246. Certain shares of the Company's common stock are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

We do not currently pay cash dividends on our common stock and may not pay dividends in the future. Any dividends we pay would be dependent, in part, on dividends we receive from Generations Bank, because the Company has no source of income other than dividends from Generations Bank, earnings from the investment of proceeds from the sale of shares of common stock retained by the Company and interest payments with respect to our loan to the Employee Stock Ownership Plan. See "Item 1. Business − Supervision and Regulation − Federal Banking Regulation − Capital Distributions."

The Federal Reserve Board has issued supervisory policies to bank holding companies and savings and loan holding companies providing that dividends should be paid only out of current earnings and only if our prospective rate of earnings retention is consistent with our capital needs, asset quality and overall financial condition. Federal Reserve Board guidance also provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the holding company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the holding company's overall rate or earnings retention is inconsistent with its capital needs and overall financial condition. In addition, Generations Bank's ability to pay dividends will be limited if it does not have the capital conservation buffer required by capital rules, which may limit our ability to pay dividends to stockholders. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in the future. Special cash dividends, stock dividends or returns of capital, to the extent permitted by regulations and policies of the Federal Reserve Board and the Office of the Comptroller of the Currency, may be paid in addition to, or in lieu of, regular cash dividends.

(b) Report of Offering of Securities and Use of Proceeds Therefrom

Not applicable.

(c) Share Repurchases During the Quarter

The Company did not repurchase any shares of its common stock during the quarter ended December 31, 2023.

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. On July 25, 2022, the Board of Directors authorized a second stock repurchase program to acquire up to 87,000 shares, or approximately 3.6%, of the Company's outstanding common stock at the conclusion of the first stock repurchase program. On May 31, 2023, the Board of Directors authorized a third stock repurchase program to acquire up to $1.0 million, or approximately 91,000 shares, or approximately 4.0%, of the Company's outstanding common stock, based on the current trading price of the common stock. As of December 31, 2023, all of the shares authorized for repurchase under these programs had been repurchased. At this time the Company does not expect to repurchase any more shares under the third stock repurchase program.

ITEM 6 [Reserved]

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

This discussion and analysis reflects our financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the audited financial statements, which appear beginning on page F-2 of this Annual Report on Form 10-K.

Overview

Generations Bancorp, as the holding company for Generations Bank, conducts its operations primarily through Generations Bank and Generations Commercial Bank.

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets and the interest we pay on our interest-bearing liabilities. Our results of operations also are affected by our provisions for loan losses, noninterest income and noninterest expense. Noninterest income currently consists primarily of banking fees and service charges, insurance commissions, unrealized gains on equity securities and gains on sales of available-for-sale securities, and income from bank owned life insurance. Noninterest expense currently consists primarily of expenses related to compensation and employee benefits, occupancy and equipment, service charges, franchise taxes, federal deposit insurance premiums, and other operating expenses.

Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

Business Strategy

Our current business strategy is to operate as a well-capitalized and profitable community bank dedicated to serving the needs of our consumer and business customers, and offering personalized and efficient customer service. Our goals are to increase interest income through loan portfolio growth, with a primary focus in 2024 on growth in our purchases of one-to four-family residential real estate loans, and to a lesser extent purchases of automobile loans, as well as continuing to decrease interest expense by increasing core deposits, and achieve economies of scale through managed balance sheet growth. Highlights of our current business strategy include:

- Emphasizing one- to four-family residential real estate lending. In 2023, purchased one- to four-family residential real estate loans were the primary source of our loan growth. At December 31, 2023, $168.4 million, or 52.4%, of our total loans consisted of one- to four-family residential real estate loans.

- Continuing our purchases and originations of automobile loans in 2024. In recent years we have increased our emphasis on the purchase and origination of automobile, recreational vehicle, and manufactured home loans. At December 31, 2023, these loans totaled $94.0 million, or 29.3% of our total loan portfolio. For the years ended December 31, 2023 and 2022, we purchased $13.7 million and $24.1 million of automobile, recreational vehicle, and manufactured home loans. We reduced our recreational vehicle purchases in 2023 to zero and do not plan on any purchases in 2024.

- We believe that we have the experience and policies and procedures in place to continue loan purchases without undue risk. We began purchasing manufactured home loans in 2006. In part based on this experience, in 2016 we began purchasing automobile loans from one vendor and began purchasing automobile, recreational vehicle, and other consumer loans from a second vendor in February 2020. Additionally, we began purchasing manufactured home loans from a second vendor in 2019. To date, our credit experience on these loans has been satisfactory. See "Business of Generations Bank – Lending Activities – Manufactured Home Lending and "– Automobile Lending" and "– Other Consumer Lending."

- Increasing our "core" deposit base, which includes all deposit account types except certificates of deposit. Core deposits are our least costly source of funds, which improves our interest rate spread, and represent our best opportunity to develop customer relationships that enable us to cross-sell our full complement of products and services. Core deposits also contribute non-interest income from account-related fees and services and are generally less sensitive to withdrawal when interest rates fluctuate. We have continued our marketing efforts for checking accounts through digital, print, and outdoor advertising channels. Core deposits at December 31, 2023 decreased $25.5 million, or 12.0%, from December 31, 2022 resulting primarily from customers' shifting their deposits into higher-yielding certificates of deposit in the increased interest rate environment. In addition, rising inflationary costs further decreased deposit account balances as well as customers seeking higher yields in brokerage money market accounts. In recent years, we have significantly expanded and improved the products and services we offer our retail and business deposit customers who maintain core deposit accounts and have improved our infrastructure for electronic banking services, including online banking, mobile banking, bill pay, and e-statements. The deposit infrastructure we have established can accommodate significant increases in retail and business deposit accounts without additional capital expenditure.

- Remaining a community-oriented institution and relying on high quality service to maintain and build a loyal local customer base. We were established in 1870 and have been operating 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. Through the goodwill we have developed over years of providing timely, efficient banking services, we believe that we have been able to attract a solid base of local retail customers on which we hope to continue to build our banking business.

Summary of Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our consolidated financial statements, which are prepared in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be critical accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following represent our critical accounting policies:

Allowance for Credit Losses. On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell. The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined that an allowance for credit losses on available-for-sale securities was not deemed material.

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled $6,000 at December 31, 2023 and was excluded from the estimate of credit losses. Management classifies the held-to-maturity portfolio into the following major security types: mortgage-backed securities or structured certificates of deposit. All the mortgage-backed securities held by the Company are issued by government-sponsored corporations. These securities are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. The structured certificates of deposit are all fully insured by the Federal Deposit Insurance Corporation as no one security exceeds the $250,000 insurance limit. As a result, no allowance for credit losses was recorded on held-to-maturity debt securities at December 31, 2023.

For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments, and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income. Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit loss related to the available-for-sale portfolio. Accrued interest receivable on available-for-sale debt securities totaled $297,000 at December 31, 2023 and was excluded from the estimate of credit losses.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Accrued interest receivable related to loans totaled $1.2 million at December 31, 2023 and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments. The accrual of interest is generally discounted when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date. All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is included in the estimate of credit losses. The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments: multi-family, commercial business, nonresidential real estate, manufactured homes, home equity loans, home equity lines of credit, residential real estate, commercial lines of credit, direct automobile, indirect automobile, other consumer, other consumer lines of credit, recreational vehicles, student loans, and residential construction loans. The Company utilizes a reasonable and supportable forecast period of 3 – 10 years depending on the portfolio segment. Subsequent to this forecast period the Company reverts, on a straight-line basis over the applicable segment period, to historical loss experience to inform its estimate of losses for the remaining contractual life of each portfolio.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and included adjustments for volume and loan mix, economics, and delinquency and loan quality. Loans that do not share risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs as appropriate.

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Income Taxes. Deferred income tax assets and liabilities are determined using the liability method. Under this method, the net deferred tax asset or liability is recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as net operating losses, capital losses, and contribution carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date. To the extent that current available evidence about the future raises doubt about the likelihood of a deferred tax asset being realized, a valuation allowance is established. The judgment about the level of future taxable income, including that which is considered capital, is inherently subjective and is reviewed on a continual basis as regulatory and business factors change. Interest and penalties are included as a component of noninterest expense if incurred. For additional information regarding the Company's income taxes, see Note 13 to the consolidated financial statements.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%. The terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

Average Balance and Yields. The following table sets forth average balance sheets, average yields 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 $2.1 million and $2.0 million for the years ended December 31, 2023 and 2022, respectively.

	Year Ended December 31,					
	2023			2022		
(In thousands)	Average Balance Outstanding	Interest	Yield/ Rate	Average Balance Outstanding	Interest	Yield/ Rate
Assets						
Interest-earning assets:						
Loans	$ 318,414	$ 14,464	4.54 %	$ 284,088	$ 12,023	4.23 %
Securities	33,281	1,447	4.35	35,862	1,136	3.17
Interest-earning deposits	6,298	274	4.35	11,318	84	0.74
Other	1,480	132	8.92	1,433	61	4.26
Total interest-earning assets	359,473	16,317	4.54	332,701	13,304	4.00
Non-interest-earning assets	41,020			41,861		
Total assets	$ 400,493			$ 374,562		
Liabilities and equity						
Interest-bearing liabilities:						
Demand deposits	$ 63,859	$ 219	0.34 %	$ 69,987	$ 66	0.09 %
Money market accounts	21,902	249	1.14	31,249	111	0.36
Savings accounts	86,799	564	0.65	108,571	448	0.41
Certificates of deposit	145,367	5,762	3.96	79,013	849	1.07
Total interest-bearing deposits	317,927	6,794	2.14	288,820	1,474	0.51
Borrowings	20,858	783	3.75	18,833	460	2.44
Total interest-bearing liabilities	338,785	7,577	2.24	307,653	1,934	0.63
Other non-interest bearing liabilities	25,276			26,553		
Total liabilities	364,061			334,206		
Equity	36,432			40,356		
Total liabilities and equity	$ 400,493			$ 374,562		
Net interest income		$ 8,740			$ 11,370	
Interest rate spread			2.30 %			3.37 %
Net interest-earning assets	$ 20,688			$ 25,048		
Net interest margin			2.43 %			3.42 %
Average interest-earning assets to average interest-bearing liabilities	106.11 %			108.14 %		

Rate Volume Analysis. The following table presents the effects of changing rates and volumes on our net interest income for the period indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. There are no out-of-period items or adjustments included in the table below.

	Year Ended December 31, 2023 vs. 2022		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
		(In thousands)	
Interest-earning assets:			
Loans	$ 1,452	$ 989	$ 2,441
Securities	(82)	393	311
Interest-earning deposits	(37)	227	190
Other	2	69	71
Total interest-earning assets	1,335	1,678	3,013
Interest-bearing liabilities:			
Demand deposits	(6)	159	153
Savings deposits	(34)	172	138
Money market deposits	(89)	205	116
Certificates of deposit	710	4,203	4,913
Total interest-bearing deposits	581	4,739	5,320
Borrowings	49	274	323
Total interest-bearing liabilities	630	5,013	5,643
Change in net interest income	$ 705	$ (3,335)	$ (2,630)

Comparison of Financial Condition at December 31, 2023 and December 31, 2022

Total Assets. Total assets increased $38.2 million, or 9.9%, to $424.5 million at December 31, 2023 from $386.3 million at December 31, 2022. The increase resulted primarily from increases in net loans of $29.6 million, cash and cash equivalents of $6.5 million, interest-earning time deposits in banks of $4.4 million, and pension plan assets of $2.3 million, partially offset by decreases in investment securities available-for-sale of $1.7 million, bank-owned life insurance of $1.4 million, and goodwill of $792,000.

Net Loans. Net loans increased $29.6 million, or 9.7%, to $333.5 million at December 31, 2023 from $303.9 million at December 31, 2022. The increase resulted primarily from increases in one- to four-family residential real estate loans of $30.4 million, or 22.0%, commercial business loans of $7.1 million, or 61.2%, other consumer loans of $2.4 million, or 33.2%, home equity loans and lines of credit of $2.1 million, or 17.9%, partially offset by decreases in recreational vehicle loans of $4.0 million, or 14.8%, manufactured home loans of $2.3 million, or 4.5%, nonresidential loans of $2.2 million, or 13.5%, and automobile loans of $1.9 million, or 7.9%. Net deferred loan costs decreased $870,000, or 5.4%, during the year ended December 31, 2023, representing primarily fees paid for purchased loans which are amortized over the estimated loan lives. At December 31, 2023, we had outstanding commitments to originate loans of $987,000 and unfunded lines of credit of $14.4 million. We anticipate that we will have sufficient funds available to meet our current lending commitments.

Consistent with our business strategy, we intend to continue purchases of one-to four-family residential real estate loans, and to continue to purchase to a lesser extent, automobile loans. During the year ended December 31, 2023, we purchased $35.3 million of one-to four-family residential real estate loans and $8.4 million of automobile loans. Additionally, we have discontinued purchases of recreational vehicles and do not expect to purchase these types of loans in the future.

Cash and Cash Equivalents. Cash and cash equivalents increased $6.5 million, or 81.5%, to $14.5 million at December 31, 2023 from $8.0 million at December 31, 2022 primarily due to an increase in deposits.

Interest-Earning Time Deposits in Banks. Interest-earning time deposits in banks increased to $4.4 million at December 31, 2023 from $0 at December 31, 2022. Excess cash was invested in short-term certificates of deposit at other financial institutions in order to maximize the yield on interest-earning deposits.

Pension Plan Assets. Pension plan assets increased $2.3 million, or 21.8%, to $13.0 million at December 31, 2023 from $10.7 million at December 31, 2022. The increase resulted from actual returns on pension assets of $3.0 million and employer contributions of $361,000, partially offset by benefits paid of $463,000 and interest costs of $605,000.

Investment Securities. Securities available-for-sale decreased $1.7 million, or 5.3%, to $31.3 million at December 31, 2023 from $33.1 million at December 31, 2022. The decrease in securities available-for-sale resulted from maturities and principal repayments of $5.3 million, partially offset by purchases of $2.2 million and an increase in market value of $1.4 million.

Bank-owned Life Insurance. Bank-owned life insurance decreased $1.4 million, or 19.2%, to $5.9 million at December 31, 2023 from $7.4 million at December 31, 2022. The decrease was primarily attributable to the surrender of a life insurance policy as a result of the death of our former President and Chief Executive Officer, Menzo D. Case.

Goodwill. Goodwill decreased $792,000 to $0 at December 31, 2023 from $792,000 at December 31, 2022 as a result of the sale of Generations Agency's book of business to Northwoods on June 1, 2023.

Deposits. Deposits increased $39.9 million, or 12.6%, to $357.6 million at December 31, 2023 from $317.7 million at December 31, 2022. Interest-bearing accounts increased $43.0 million, or 16.3%, to $306.1 million at December 31, 2023 from $263.1 million at December 31, 2022. The largest increase in interest-bearing deposits was in certificates of deposit which increased $65.5 million, or 61.8%, to $171.3 million at December 31, 2023 from $105.8 million at December 31, 2022. Certificates of deposit that are scheduled to mature in one year or less from December 31, 2023 totaled $156.3 million. Interest-bearing checking accounts decreased $3.0 million, or 7.9%, to $35.1 million at December 31, 2023 from $38.1 million at December 31, 2022. Money market accounts decreased $7.3 million, or 27.6%, to $19.2 million at December 31, 2023 from $26.5 million at December 31, 2022. Savings accounts decreased $12.1 million, or 13.1%, to $80.5 million at December 31, 2023 from $92.6 million at December 31, 2022. Noninterest-bearing deposits decreased $3.1 million, or 5.6%, to $51.5 million at December 31, 2023 from $54.6 million at December 31, 2022. We may utilize Federal Home Loan Bank advances in place of the maturing time deposits.

Municipal deposits held at Generations Commercial Bank increased $1.6 million, or 20.4%, to $9.2 million at December 31, 2023 from $7.6 million at December 31, 2022.

Federal Home Loan Bank Advances. Short-term Federal Home Loan Bank advances decreased to $0 at December 31, 2023 from $16.2 million at December 31, 2022 as a result of repayments. Long-term Federal Home Loan Bank advances increased $13.2 million, or 128.1%, to $23.6 million at December 31, 2023 from $10.3 million at December 31, 2022 as a result of $18.0 million in new advances partially offset by repayments of $4.8 million. The average cost of outstanding advances from the Federal Home Loan Bank was 3.75% at December 31, 2023, as compared to our weighted average rate on deposits of 2.14% at that date.

Total Equity. Total equity increased $370,000, or 1.0%, to $37.7 million at December 31, 2023 from $37.3 million at December 31, 2022. The increase was primarily due to a decrease in accumulated other comprehensive loss of $2.2 million as a result of an increase in the fair market value of our investment securities available-for-sale and pension plans and a $341,000 decrease in stock held by Rabbi trust as a result of distributions, partially offset by a decrease of $1.1 million due to stock repurchases and a net loss of $1.6 million for the year ended December 31, 2023.

Comparison of Operating Results for the Years Ended December 31, 2023 and December 31, 2022

General. Net loss for the year ended December 31, 2023 was $1.6 million, as compared to net income of $1.1 million for the year ended December 31, 2022, a decrease of $2.7 million, or 244.2%. The decrease was primarily attributable to a $2.6 million decrease in net interest income, a $1.2 million increase in noninterest expense, and a $302,000 increase in provision for loan losses, partially offset by a $864,000 increase in noninterest income and a $641,000 decrease in income tax expense.

Interest and Dividend Income. Interest and dividend income increased $3.0 million, or 22.7%, to $16.3 million for the year ended December 31, 2023 from $13.3 million for the year ended December 31, 2022. The increase was primarily attributable to an increase of $2.4 million in interest on loans receivable, an increase of $311,000 in interest on investment securities, and an increase of $190,000 in interest-earning deposits. The average balance of loans increased $34.3 million, or 12.1%, to $318.4 million for the year ended December 31, 2023 from $284.1 million for the year ended December 31, 2022. The average yield on loans increased 31 basis points to 4.54% for the year ended December 31, 2023 from 4.23% for the year ended December 31, 2022, reflecting an increase in higher-yielding loans year over year. The average balance of investment securities decreased $2.6 million, or 7.2%, to $33.3 million for the year ended December 31, 2023 from $35.9 million for the year ended December 31, 2022. The average yield on investment securities increased 118 basis points to 4.35% for the year ended December 31, 2023 from 3.17% for the year ended December 31, 2022 due to rising interest rates and lower premium amortization expense during 2023.

Interest Expense. Interest expense increased $5.6 million, or 291.8%, to $7.6 million for the year ended December 31, 2023 from $1.9 million for the year ended December 31, 2022. Interest expense on deposits increased $5.3 million, or 360.9%, to $6.8 million for the year ended December 31, 2023 from $1.5 million for the year ended December 31, 2022, primarily due to an increase in interest expense on certificates of deposit of $4.9 million. The increase was attributable to an increase of $66.4 million, or 84.0%, in the average balance of certificate of deposit accounts to $145.4 million for the year ended December 31, 2023 from $79.0 million for the year ended December 31, 2022, in addition to an increase in the average cost of 289 basis points to 3.96% for the year ended December 31, 2023 as compared to 1.07% for the year ended December 31, 2022. Borrowing expense increased $323,000, or 70.2%, to $783,000 for the year ended December 31, 2023 from $460,000 for the year ended December 31, 2022, as a result of an increase in the average cost of borrowings of 131 basis points to 3.75% for the year ended December 31, 2023 as compared to 2.44% for the year ended December 31, 2022 due to rising interest rates. The average balance of borrowings increased $2.0 million, or 10.8%, to $20.9 million for the year ended December 31, 2023 from $18.8 million for the year ended December 31, 2022.

Net Interest Income. Net interest income decreased $2.6 million, or 23.1%, to $8.7 million for the year ended December 31, 2023 from $11.4 million for the year ended December 31, 2022. Our net interest rate spread decreased 107 basis points to 2.30% for the year ended December 31, 2023 from 3.37% for the year ended December 31, 2022. Our net interest margin decreased 99 basis points to 2.43% for the year ended December 31, 2023 from 3.42% for the year ended December 31, 2022. Net interest rate spread and net interest margin were affected primarily by the increase in the cost of our interest-bearing liabilities when comparing 2023 and 2022.

Provision for Credit Losses. Based on management's analysis of the allowance for credit losses described in Note 2(g) of our consolidated financial statements "Summary of Significant Accounting Policies – Allowance for Credit Losses," we recorded a provision for credit losses of $933,000 for the year ended December 31, 2023 and a provision for loan losses of $631,000 for the year ended December 31, 2022. The increased provision for credit losses in 2023 was primarily due to overall growth in the loan portfolio.

Noninterest Income. Noninterest income increased $864,000, or 40.8%, to $3.0 million for the year ended December 31, 2023 from $2.1 million for the year ended December 31, 2022. The increase was primarily due to death benefit proceeds of $733,000 received from the surrender of a bank-owned life insurance policy and a net gain of $312,000 recognized from the sale of Generations Agency's book of business, partially offset by decreases in insurance commissions and banking fees and service charges. Insurance commissions decreased $295,000, or 65.4%, to $156,000 for the year ended December 31, 2023 from $451,000 for the year ended December 31, 2022 as a result of the Management Agreement with Northwoods whereby Northwoods assumed customer service responsibilities for Generations Insurance Agency, Inc. effective April 1, 2022 and the subsequent sale of the book of business to Northwoods on June 1, 2023. Banking fees and service charges decreased $162,000, or 10.2%, to $1.4 million for the year ended December 31, 2023 from $1.6 million for the year ended December 31, 2022 due to fewer loan recapture fees and loan prepayment penalties as well as fewer non-sufficient funds fees when comparing 2023 and 2022.

Noninterest Expense. Noninterest expense increased $1.2 million, or 10.6%, to $12.8 million for the year ended December 31, 2023 from $11.6 million for the year ended December 31, 2022. The increase was primarily attributable to increases in compensation and benefits, regulatory assessments, and other expenses, offset in part by decreases in advertising and service charges. Compensation and benefits increased $1.2 million, or 24.3%, to $6.1 million for the year ended December 31, 2023 from $4.9 million for the year ended December 31, 2022 primarily due to employment agreement expenses associated with the death of our former President and Chief Executive Officer, Menzo D. Case, in addition to a decrease in pension expense benefit. The decrease in pension expense benefit for the year ended December 31, 2023 is attributable to the amortization of certain unrecognized actuarial losses in addition to lower expected investment returns due to the Plan's investment losses for the year ended December 31, 2022. Regulatory assessments increased $154,000, or 74.0%, to $362,000 for the year ended December 31, 2023 from $208,000 for the year ended December 31, 2022 as a result of an increase in total assessment base in addition to an increase in the quarterly multiplier used in the payment computation. Other expenses increased $245,000, or 20.8%, to $1.4 million for the year ended December 31, 2023 from $1.2 million for the year ended December 31, 2022 as a result of an increase in directors' fees related to changes in the market price of Generations Bancorp's stock held in the directors' retirement plan during 2023 as compared to 2022 along with an increase in expenses related to equity incentive plan stock awards and stock options granted in May 2022. Advertising decreased $224,000, or 52.3%, to $204,000 for the year ended December 31, 2023 from $428,000 for the year ended December 31, 2022 due to less activity when comparing 2023 to 2022. Service charges decreased $142,000, or 6.8%, to $2.0 million for the year ended December 31, 2023 from $2.1 million for the year ended December 31, 2022 as a result of discounts recognized from the renewal of our core processing contract.

Federal Income Taxes. Income tax expense decreased $641,000, or 296.8%, to a benefit of $425,000 for the year ended December 31, 2023 from $216,000 for the year ended December 31, 2022. The effective tax rate was 21.3% for the year ended December 31, 2023 as compared to 16.6% for the year ended December 31, 2022.

Management of Market Risk

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are monetary in nature and sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset/Liability Committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the policy and guidelines approved by our Board of Directors.

Our asset/liability management strategy attempts to manage the impact of changes in interest rates on net interest income, our primary source of earnings. Among the techniques we use to manage interest rate risk are:

- purchasing and originating consumer loans, including automobile and manufactured home loans, and commercial real estate and multi-family loans, all of which tend to have shorter terms and higher interest rates than one- to four-family residential real estate loans, and which, if originated, may generate customer relationships that can result in larger non-interest-bearing checking accounts;

- utilizing long-term Federal Home Loan Bank advances which are a closer match in duration to partially fund loan originations and purchases; and

- reducing our dependence on certificates of deposit to support lending and investment activities and increasing our reliance on core deposits, including checking accounts and savings accounts, which are less interest rate sensitive than certificates of deposit.

Our Board of Directors is responsible for the review and oversight of our Asset/Liability Committee, which is comprised of our executive management team and other essential operational staff. This committee is charged with developing and implementing an asset/liability management plan and meets monthly to review pricing and liquidity needs and assess our interest rate risk. We currently utilize a third-party modeling program, prepared on a quarterly basis, to evaluate our sensitivity to changing interest rates, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors.

Liquidity and Capital Resources

Liquidity describes our ability to meet the 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. Our primary sources of funds are deposits, principal and interest payments on loans and securities and proceeds from maturities of securities. We also have the ability to borrow from the Federal Home Loan Bank. At December 31, 2023, we had $23.6 million outstanding in advances from the Federal Home Loan Bank, and had the ability to borrow approximately $68.8 million based on our collateral capacity. At December 31, 2023, we had an additional $20.5 million in lines of credit available with other financial institutions.

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 short-term investments including interest-bearing demand deposits. 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 $2.0 million for the year ended December 31, 2023 and $4.4 million for the year ended December 31, 2022. 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 $31.8 million for the year ended December 31, 2023 and $29.8 million for the year ended December 31, 2022. Net cash provided by financing activities, consisting primarily of the activity in deposit accounts and Federal Home Loan Bank advances, was $36.2 million for the year ended December 31, 2023 and $12.5 million for the year ended December 31, 2022.

We are committed to maintaining a strong 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 dividends of $1.0 million to Generations Bancorp during the year ended December 31, 2023 and dividends of $1.3 million during the year ended December 31, 2022. See "Supervision and Regulation – Federal Banking Regulation – Capital Distributions" for a discussion of the regulations applicable to the ability of Generations Bank to pay dividends. At December 31, 2023, Generations Bancorp (on an unconsolidated, stand-alone basis) had liquid assets totaling $2.7 million.

At December 31, 2023, Generations Bank exceeded all its regulatory capital requirements and was categorized as well capitalized. See Note 16 to the Consolidated Financial Statements. Management is unaware of any conditions or events since the most recent notification that would change our category.

Recent Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for a description of recent accounting pronouncements that may affect our financial condition and results of operations.

Impact of Inflation and Changing Price

The consolidated financial statements and related data presented elsewhere in this annual report have been prepared in accordance with generally accepted accounting principles in the United States of America which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

ITEM 8 Financial Statements and Supplementary Data

The Company's Consolidated Financial Statements are presented in this Annual report on Form 10-K beginning at page F-2.

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

None.

ITEM 9A. Controls and Procedures

(a) An evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Principal 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 December 31, 2023. Based on that evaluation, the Company's management, including the President and Chief Executive Officer and the Principal Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

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

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's system of internal control over financial reporting is designed under the supervision of management, including our Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles ("GAAP") and necessarily include some amounts based on management's best estimates and judgments. Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with the authorization of management and the Board of Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on our consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections on any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate.

As of December 31, 2023, management assessed the effectiveness of the Company's internal control over financial reporting based upon the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework* of 2013. Based upon its assessment, management believes that the Company's internal control over financial reporting as of December 31, 2023 is effective using these criteria.

(c) Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company (as a smaller reporting company or an emerging growth company) to provide only management's report in this annual report.

(d) Changes in Internal Controls

During the year ended December 31, 2023, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the fourth quarter of 2023, none of our directors or officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as that term is used in SEC regulations.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. Directors, Executive Officers, and Corporate Governance

Generations Bancorp has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer and principal accounting officer or controller or persons performing similar functions. A copy of the Code is available on the Company's website at www.mygenbank.com under "About Us – Investor Relations – Governance."

The information contained under the sections captioned "Proposal I – Election of Directors" in the Company's definitive Proxy Statement for the 2024 Annual Meeting of Stockholders (the "Proxy Statement") is incorporated herein by reference.

ITEM 11. Executive Compensation

The information contained under the section captioned "Proposal I — Election of Directors — Executive Compensation" in the definitive Proxy Statement is incorporated herein by reference.

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

Except for the information concerning equity compensation plans, the following information required herein is incorporated by reference from the Proxy Statement under the heading "Stock Ownership." The following table sets out information as of December 31, 2023, about securities authorized for issuance under the Company's 2022 Equity Incentive Plan, which has been approved by shareholders.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Awards	Weighted-Average Exercise Price of Outstanding Awards	Number of Shares Available for Future Grants
Plans approved by shareholders	132,977	$ 11.61	14,780
Plans not approved by shareholders	—	—	—
Total	132,977	$	14,780

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

The "Transactions with Related Persons" and "Proposal 1 – Election of Directors – Board Independence" sections of the Company's 2024 Proxy Statement are incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

The "Proposal 2 — Ratification of Appointment of Independent Registered Public Accounting Firm" section of the Company's 2024 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The documents filed as a part of this Form 10-K are:

(A) Reports of Independent Registered Public Accounting Firms

(B) Consolidated Statements of Financial Condition for the years ended December 31, 2023 and 2022

(C) Consolidated Statements of Operations for the years ended December 31, 2023 and 2022

(D) Consolidated Statements of Comprehensive Income for the years ended December 31, 2023 and 2022

(E) Consolidated Statements of Changes in Shareholders Equity for the years ended December 31, 2023 and 2022

(F) Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022

(G) Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

All financial statement schedules have been omitted as the required information is inapplicable or has been included in the Notes to Consolidated Financial Statements.

(a)(3) Exhibits

3.1	Articles of Incorporation of Generations Bancorp NY, Inc.(1)
3.2	Bylaws of Generations Bancorp NY, Inc. (2)
4.1	Form of Common Stock Certificate of Generations Bancorp NY, Inc. (1)
4.2	Description of Generations Bancorp NY, Inc.'s Securities (3)
10.1	Amended and Restated Employment Agreement by and between Generations Bank and Menzo D. Case (1)
10.2	Generations Bank Amended and Restated Directors Retirement Plan (1)
10.3	Amended and Restated Supplemental Executive Retirement Plan for Menzo D. Case (1)
10.4	Amended and Restated Employment Agreement with Angela M. Krezmer (4)
21	Subsidiaries (3)
23	Consent of Independent Accounting Firm
31	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	Policy Relating to Recovery of Erroneously Awarded Compensation
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)

(1) Incorporated by reference to pre-effective amendment No. 1 to the Registration Statement on Form S-1 (file no. 333-248742), filed on September 11, 2020.

(2) Incorporated by reference to the Company's Current Report on Form 8-K filed on December 16, 2020.
(3) Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 29, 2021.
(4) Incorporated by reference to the Current Report on Form 8-K filed on December 21, 2023.

ITEM 16 Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GENERATIONS BANCORP NY, INC.

Date: April 1, 2024

/s/ Angela M. Krezmer
Angela M. Krezmer
President, Chief Executive Officer, and Chief Financial Officer

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

Signatures	Title	Date
/s/ Angela M. Krezmer Angela M. Krezmer	President, Chief Executive Officer, Chief Financial Officer, and Director (Principal Executive Officer and Principal Financial Officer)	April 1, 2024
/s/ Bradford M. Jones Bradford M. Jones	Chairman of the Board	April 1, 2024
/s/ Dr. Jose A. Acevedo Dr. Jose A. Acevedo	Vice Chairman of the Board	April 1, 2024
/s/ Cynthia S. Aikman Cynthia S. Aikman	Director	April 1, 2024
/s/ James E. Gardner James E. Gardner	Director	April 1, 2024
/s/ Gerald Macaluso Gerald Macaluso	Director	April 1, 2024
/s/ Dr. Frank J. Nicchi Dr. Frank J. Nicchi	Director	April 1, 2024
/s/ Alicia H. Pender Alicia H. Pender	Director	April 1, 2024
/s/ Vincent P. Sinicropi Vincent P. Sinicropi	Director	April 1, 2024

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors and Audit Committee
of Generations Bancorp NY, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Generations Bancorp NY, Inc. (the Company) as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

We have served as the Company's auditor since 2022.

/s/ Bonadio & Co., LLP

Syracuse, New York
April 1, 2024

Generations Bancorp NY, Inc.
Consolidated Statements of Financial Condition

(In thousands, except share data)	At December 31, 2023	At December 31, 2022
ASSETS:		
Cash and due from banks	$ 3,991	$ 3,955
Interest earning deposits	10,534	4,049
Total cash and cash equivalents	14,525	8,004
Interest-earning time deposits in banks	4,362	—
Investment securities available-for-sale, at fair value	31,302	33,050
Investment securities held-to-maturity (fair value 2023-$1,226, 2022-$1,301)	1,454	1,587
Equity investment securities, at fair value	361	307
Federal Home Loan Bank stock, at cost	1,588	1,740
Loans	336,455	306,377
Less: Allowance for credit losses	(2,973)	(2,497)
Loans receivable, net	333,482	303,880
Premises and equipment, net	14,195	14,863
Bank-owned life insurance	5,938	7,351
Pension plan asset	13,027	10,697
Foreclosed real estate	118	12
Goodwill	—	792
Intangible assets, net	654	718
Accrued interest receivable	1,611	1,304
Other assets	1,879	1,988
Total assets	$ 424,496	$ 386,293
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Deposits:		
Noninterest-bearing	$ 51,528	$ 54,609
Interest-bearing	306,078	263,069
Total deposits	357,606	317,678
Short-term borrowings	—	16,200
Long-term borrowings	23,577	10,334
Advances from borrowers for taxes and insurance	2,931	2,653
Other liabilities	2,684	2,100
Total liabilities	386,798	348,965
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 2023 and 2022; 2,235,889 and 2,348,748 shares issued and outstanding at December 31, 2023 and 2022, respectively	22	24
Additional paid in capital	22,289	23,002
Retained earnings	21,000	22,512
Accumulated other comprehensive loss	(4,257)	(6,467)
Stock held in rabbi trust	(357)	(698)
Unearned ESOP shares, at cost	(999)	(1,045)
Total shareholders' equity	37,698	37,328
Total liabilities and shareholders' equity	$ 424,496	$ 386,293

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

Generations Bancorp NY, Inc.
Consolidated Statements of Operations

(In thousands, except per share data)	Year Ended December 31, 2023	2022
Interest and dividend income:		
Loans, including fees	$ 14,464	$ 12,023
Debt and equity securities:		
Taxable	1,040	722
Tax-exempt	407	414
Interest-earning deposits	274	84
Other	132	61
Total interest income	16,317	13,304
Interest expense:		
Deposits	6,794	1,474
Short-term borrowings	355	216
Long-term borrowings	428	244
Total interest expense	7,577	1,934
Net interest income	8,740	11,370
Provision for loan losses	927	631
Provision for unfunded commitments	6	—
Provision for available-for-sale securities	—	—
Total provision for credit losses	933	631
Net interest income after provision for credit losses	7,807	10,739
Noninterest income:		
Banking fees and service charges	1,426	1,588
Mortgage banking income, net	22	44
Insurance commissions	156	451
Earnings (loss) on bank-owned life insurance	62	(28)
Gain on death benefit proceeds from surrender of bank-owned life insurance	733	—
Change in fair value on equity securities	51	(45)
Net gain on sale of Generations Agency	312	—
Other charges, commissions & fees	219	107
Total noninterest income	2,981	2,117
Noninterest expense:		
Compensation and benefits	6,081	4,891
Occupancy and equipment	2,012	2,005
Service charges	1,958	2,100
Regulatory assessments	362	208
Professional and other services	740	743
Advertising	204	428
Other expenses	1,423	1,178
Total noninterest expenses	12,780	11,553
(Loss) Income before income tax (benefit) expense	(1,992)	1,303
Income tax (benefit) expense	(425)	216
Net (loss) income	$ (1,567)	$ 1,087
Net (loss) income available to common shareholders	$ (1,567)	$ 1,087
Basic and diluted (losses) earnings per common share	$ (0.72)	$ 0.47

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

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

(In thousands)	Year Ended December 31, 2023	Year Ended December 31, 2022
Net (loss) income	$ (1,567)	$ 1,087
Other comprehensive income (loss), before tax:		
Unrealized gains (losses) on securities available-for-sale:		
Unrealized holding gains (losses) arising during the period	1,394	(5,214)
Net unrealized gains (losses) on securities available-for-sale	1,394	(5,214)
Defined benefit pension plan:		
Net gains (losses) arising during the period	1,242	(1,748)
Reclassification of amortization of net losses recognized in net pension expense	161	—
Net change in defined benefit pension plan asset	1,403	(1,748)
Other comprehensive gain (loss), before tax	2,797	(6,962)
Tax effect	(587)	1,461
Other comprehensive gain (loss), net of tax	2,210	(5,501)
Total comprehensive gain (loss)	$ 643	$ (4,414)

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

Generations Bancorp NY, Inc.
Consolidated Statements of Changes in Shareholders' Equity

(In thousands, except share data)	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stock Held by Rabbi Trust	Unearned ESOP Shares	Total
Balance, December 31, 2022	$ 24	$ 23,002	$ 22,512	$ (6,467)	$ (698)	$ (1,045)	$ 37,328
Net loss	—	—	(1,567)	—	—	—	(1,567)
Other comprehensive income	—	—	—	2,210	—	—	2,210
Effect of stock repurchase plan	(2)	(1,127)	55	—	—	—	(1,074)
Stock-based compensation	—	417	—	—	—	—	417
Purchase of common stock for Directors Retirement Plan	—	—	—	—	(10)	—	(10)
Purchase of common stock for SERPs	—	—	—	—	(31)	—	(31)
Distribution of common stock from Directors Retirement Plan	—	—	—	—	37	—	37
Distribution of common stock from SERP	—	—	—	—	345	—	345
ESOP shares committed to be released	—	(3)	—	—	—	46	43
Balance, December 31, 2023	$ 22	$ 22,289	$ 21,000	$ (4,257)	$ (357)	$ (999)	$ 37,698
Balance, December 31, 2021	$ 26	$ 24,494	$ 21,669	$ (966)	$ (654)	$ (1,090)	$ 43,479
Net income	—	—	1,087	—	—	—	1,087
Other comprehensive loss	—	—	—	(5,501)	—	—	(5,501)
Effect of stock repurchase plan	(2)	(1,626)	(244)	—	—	—	(1,872)
Stock-based compensation	—	128	—	—	—	—	128
Purchase of common stock for Directors Retirement Plan	—	—	—	—	(13)	—	(13)
Purchase of common stock for SERPs	—	—	—	—	(31)	—	(31)
ESOP shares committed to be released	—	6	—	—	—	45	51
Balance, December 31, 2022	$ 24	$ 23,002	$ 22,512	$ (6,467)	$ (698)	$ (1,045)	$ 37,328

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

Generations Bancorp NY, Inc.
Consolidated Statements of Cash Flows

(In thousands)	Year Ended December 31, 2023	Year Ended December 31, 2022
OPERATING ACTIVITIES		
Net (loss) income	$ (1,567)	$ 1,087
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	933	631
Deferred income tax (benefit) expense	(444)	200
Change in fair value on equity securities	(51)	45
Dividend reinvestment in equity securities	(3)	—
Depreciation	954	943
Amortization of intangible asset	64	65
Amortization of fair value adjustment to purchased loan portfolio	(69)	(69)
ESOP expense	43	51
Stock-based compensation	417	128
Amortization of deferred loan costs	2,113	2,024
(Earnings) loss on bank-owned life insurance	(62)	28
Gain on death benefit proceeds from surrender of bank-owned life insurance premium	(733)	—
Change in pension plan assets	(1,188)	(1,338)
Extinguishment of goodwill	792	—
Net amortization of premiums and discounts on investment securities	57	159
Net change in accrued interest receivable	(307)	(55)
Net change in other assets and liabilities	1,088	451
Net cash provided by operating activities	2,037	4,350
INVESTING ACTIVITIES		
Purchase of investment securities available-for-sale	(2,238)	(3,685)
Net change in interest-earning time deposits in banks	(4,362)	—
Net proceeds from the redemption of (purchase of) Federal Home Loan Bank stock	152	(290)
Proceeds from maturities and principal reductions of:		
Available-for-sale investment securities	5,326	2,239
Held-to-maturity investment securities	131	187
Proceeds from sale of:		
Real estate and repossessed assets acquired	265	84
Premises and equipment	81	—
Proceeds from bank-owned life insurance premium	2,208	511
Net change in loans	(32,950)	(28,415)
Purchase of premises and equipment	(367)	(461)
Net cash used in investing activities	(31,754)	(29,830)
FINANCING ACTIVITIES		
Net change in demand deposits, savings accounts, and money market accounts	(25,523)	(24,469)
Net change in time deposits	65,451	30,098
Net change in short-term borrowings	(16,200)	16,200
Payments on long-term borrowings	(4,757)	(8,407)
Proceeds from long-term borrowings	18,000	981
Purchase of common stock for directors retirement plan	(10)	(13)
Purchase of common stock of SERP	(31)	(31)
Distribution of common stock from Directors Retirement Plan	37	—
Distribution of common stock from SERP	345	—
Effect of stock repurchase plan	(1,074)	(1,872)
Net cash provided by financing activities	36,238	12,487
Net change in cash and cash equivalents	6,521	(12,993)
Cash and cash equivalents at beginning of period	8,004	20,997
Cash and cash equivalents at end of period	$ 14,525	$ 8,004
Supplemental Cash Flows Information		
Cash paid during the period for:		
Interest	$ 7,101	$ 1,807
Transfer of loans to foreclosed real estate and repossessed assets	371	69

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

1. Organization and Nature of Operations

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

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

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

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

In addition, Generations Agency, Inc. (the "Agency") offers personal and commercial insurance products through licensed employees in the same market area. The Agency is the Bank's wholly-owned subsidiary. The Agency's book of business was purchased by The Northwoods Corporation on June 1, 2023. Further detail regarding the treatment of goodwill is included in Note 10.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Holding Company, the Bank, the Commercial Bank, and the Agency. The consolidated entity is referred to as the "Company" in the following notes to the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

b. Use of Estimates

The preparation of consolidated financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has identified the allowance for credit losses, deferred income taxes, pension obligations, and the evaluation of investment securities for the presence of credit-related and non-credit-related losses to be the accounting areas that require the most subjective and complex judgments, and as such, could be the most subject to revision as new information becomes available.

The Company is subject to the regulations of various governmental agencies. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances, and operating restrictions resulting from the regulators' judgments based on information available to them at the time of their examinations.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash, amounts due from banks, including interest-bearing demand deposits, and items in the process of collection. The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

d. Securities

The Company reports debt securities in one of the following categories:

(i) “held-to-maturity” which management has the positive intent and ability to hold debt securities to maturity. These securities are reported at amortized cost adjusted for the amortization of premiums and accretion of discounts; or

(ii) “available-for-sale” which includes all other debt securities and are reported at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss).

The Company classifies its debt securities in one of these categories based upon determinations made at the time of purchase, and re-evaluates their classification each quarter-end.

Premiums and discounts on debt securities are amortized, or accreted, to interest income over the term of the security and adjusted for the effect of actual prepayments in the case of mortgage-backed securities. Gains and losses on the sales of securities are recognized in income when sold, using the specific identification method, on a trade date basis.

Equity securities are reported at fair value, with unrealized gains and losses included in earnings.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Note 4 to the consolidated financial statements includes additional information about the Company’s accounting policies with respect to the impairment of investment securities.

e. Federal Home Loan Bank of New York Stock

The Bank, as a member of the Federal Home Loan Bank (“FHLB”) system, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted fair value and is carried at cost, which approximates fair value.

f. Loans Receivable

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. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at their outstanding unpaid principal balances, less the allowance for credit losses, and plus net deferred loan origination costs. The ability of the Company’s debtors to honor their contracts is dependent upon the real estate and general economic conditions in the market area.

Interest income is generally recognized when income is earned using the interest method. Nonrefundable loan fees received, and the related direct origination costs incurred, are deferred and amortized over the life of the loan using a method that approximates the interest method, resulting in a constant effective yield over the loan term. Deferred fees are recognized into income and deferred costs are charged to income immediately upon prepayment of the related loan.

The loans receivable portfolio is segmented into residential mortgage, commercial, and consumer loans. The residential mortgage segment consists of one- to four-family first-lien residential mortgages and construction loans. Commercial loans consist of the following classes: real estate secured by nonresidential property, real estate secured by multi-family residences, construction, and other commercial and industrial loans. Consumer loans include home equity (both installment loans and lines of credit), residential junior-lien loans, manufactured home loans, automobile, student, recreational vehicle, and other consumer loans.

g. Allowance for Credit Losses

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell. The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined that an allowance for credit losses on available-for-sale securities was not deemed material.

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled $6,000 at December 31, 2023 and was excluded from the estimate of credit losses. Management classifies the held-to-maturity portfolio into the following major security types: mortgage-backed securities or structured certificates of deposit. All the mortgage-backed securities held by the Company are issued by government-sponsored corporations. These securities are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. The structured certificates of deposit are all fully insured by the Federal Deposit Insurance Corporation as no one security exceeds the $250,000 insurance limit. As a result, no allowance for credit losses was recorded on held-to-maturity debt securities at December 31, 2023.

For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments, and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income. Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit loss related to the available-for-sale portfolio. Accrued interest receivable on available-for-sale debt securities totaled $297,000 at December 31, 2023 and was excluded from the estimate of credit losses.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Accrued interest receivable related to loans totaled $1.2 million at December 31, 2023 and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments. The accrual of interest is generally discounted when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date. All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is included in the estimate of credit losses. The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments: multi-family, commercial business, nonresidential real estate, manufactured homes, home equity loans, home equity lines of credit, residential real estate, commercial lines of credit, direct automobile, indirect automobile, other consumer, other consumer lines of credit, recreational vehicles, student loans, and residential construction loans. The Company utilizes a reasonable and supportable forecast period of 3 – 10 years depending on the portfolio segment. Subsequent to this forecast period the Company reverts, on a straight-line basis over the applicable segment period, to historical loss experience to inform its estimate of losses for the remaining contractual life of each portfolio.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and included adjustments for volume and loan mix, economics, and delinquency and loan quality. Loans that do not share risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs as appropriate.

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful, and loss. Loans classified as special mention have potential weaknesses that deserved management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated as pass.

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

Prior to January 1, 2023, the allowance for loan losses represented management's estimate of losses inherent in the loan portfolio as of the consolidated statement of financial condition date and was recorded as a reduction of loans. The allowance for loan losses was increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible were charged against the allowance for loan losses, and subsequent recoveries, if any, were credited to the allowance. All, or part, of the principal balance of loans receivable was charged off to the allowance as soon as it was determined that the repayment of all, or part, of the principal balance was highly unlikely. Consumer loans not secured by residential real estate were generally charged off no later than 90 days past due on a contractual basis, earlier in the event of bankruptcy, or if there was an amount deemed uncollectible. Because all identified losses were immediately charged off, no portion of the allowance for loan losses was restricted to any individual loan or groups of loans, and the entire allowance was available to absorb any and all loan losses.

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

The allowance consisted of specific, general, and unallocated components. The specific component related to loans that were classified as impaired. For loans that were classified as impaired, an allowance was established when the discounted cash flows (or collateral value or observable market price) of the impaired loan was lower than the carrying amount of that loan. The general component covered 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 were 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 included:

- 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 was 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 varied 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.

A loan was considered impaired when, based on current information and events, it was probable that the Company would 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 included 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 were not classified as impaired. Management determined the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment was 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.

An allowance for loan losses was established for an impaired loan if its carrying amount exceeded its estimated fair value. The estimated fair values of substantially all of the Company's impaired loans were measured based on the estimated fair value of the loan's collateral.

For commercial loans secured by real estate, including those in construction, estimated fair values were determined primarily through third-party appraisals. When a real estate secured loan became impaired, a decision was made as to whether an updated certified appraisal of the real estate was necessary. This decision was based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal, and the condition of the property. Appraised values were discounted to arrive at the estimated selling price of the collateral, which was considered to be the estimated fair value. The discounts also included estimated costs to sell the property.

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

Large groups of smaller balance homogeneous loans were collectively evaluated for impairment. Accordingly, the Company did not separately identify individual consumer loans for impairment disclosures, unless such loans were the subject of a troubled debt restructuring agreement.

Loans whose terms were modified were classified as troubled debt restructurings if the Company granted such borrowers concessions and it was deemed that those borrowers were experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involved a temporary reduction in interest rate or an extension of a loan's stated maturity date. Loans classified as troubled restructurings were designated as impaired.

The allowance calculation methodology included further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors, and value of collateral, if appropriate, were evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for all loans.

j. Income Recognition on Non-accrual Loans

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.

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 the allowance for credit losses until prior charge-offs have been fully recovered.

i. Premises and Equipment

Land is carried at cost. Buildings, improvements, and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the related assets, which is generally 15 to 40 years for buildings and 3 to 10 years for furniture, equipment, computers, and software. Leasehold improvements, if any, are amortized over the shorter of the terms of the lease or useful life. Maintenance and repairs are charged to operating expenses as incurred. The asset cost and accumulated depreciation are removed from the accounts for assets sold or retired and any resulting gain or loss is included in the determination of income. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be recoverable.

j. Bank-owned Life Insurance

The Bank invests in bank-owned life insurance ("BOLI") as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Bank on a chosen group of employees. The Bank is the owner and beneficiary of the life insurance policies, and as such, the investment is carried at the cash surrender value of the underlying policies. In 2012, the Bank purchased additional BOLI to offset the cost of the director's retirement plan and the addition of a supplemental executive retirement plan. The 2012 purchase of $2 million in additional BOLI on senior management includes a split-dollar arrangement on a portion of the insurance benefit. The policies are carried at the cash surrender value and the liability for the split dollar arrangement is recorded in other liabilities. Income from the increase in cash surrender value of the policies is included in noninterest income on the consolidated statements of (loss) income. One of the Bank's BOLI policies includes a stable value wrapper policy that provides for book value accounting of the policy's cash value accumulations with the periodic credit rating adjusted to recapture any losses greater than the stable value wrapper coverage. In the event that the market value falls below the stable value wrapper ratio limit of 87% of our total cash surrender value, the Bank's book value would be written down to reduce the market value loss to 13%. Decreases in book value are recovered over time through higher crediting rate resets.

k. Intangible Assets and Goodwill

Intangible assets represent acquired assets that lack physical substance, but can be distinguished from goodwill because of contractual or other legal rights. The Company's intangible assets include customer lists and covenants not to compete that were acquired in connection with business acquisitions. Goodwill represented the excess of the cost of an acquisition over the fair value of tangible and identifiable intangible assets acquired in a business combination utilizing purchase accounting. The value of goodwill was tested at least annually for impairment. At December 31, 2023 the value of goodwill recorded was $0 as a result of the sale of Generations Insurance Agency to The Northwoods Corporation in June 2023.

As part of recording the purchase of assets and liabilities of Medina Savings and Loan Association at fair value upon the September 29, 2018 merger, Generations Bank recorded a $964,000 Core Deposit Intangible ("CDI"). The CDI valuation method employed a discounted cash flow analysis to determine the fair value of the acquired core deposits to fund operations, versus using comparable term (i.e. term to maturity) wholesale borrowings. A positive valuation results because the overall cost of core deposits (interest rate plus operating expense less other income) is lower than the cost of a laddered portfolio of borrowings structured with the same maturity as the projected core deposit base. As of the Valuation Date, the value of Medina's core deposits was, in aggregate, $964,000 on a pre-tax basis, equal to 2.50% of the acquired core deposits. This asset is amortized over 15 years in accordance with the fair value analysis provided by a third-party.

The Company reviews its identifiable assets for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

l. Employee Benefit Plans

The Bank funds two noncontributory defined benefit pension plans, one plan that accrues benefits for employees of Generations Bank that were hired prior to October 1, 2016 and the second plan that was acquired with the MSL merger and covers MSL employees that were participants of that plan effective September 30, 2018. Both plans have been frozen to new employees and cover eligible Company employees at least 21 years of age and with at least one year of service. Benefits under these plans generally are based on employees' years of service and compensation. The Bank makes annual contributions to the plans equal to the maximum amount that can be deducted for income tax purposes.

The Bank sponsors an Employee Stock Ownership Plan ("ESOP") covering substantially all full-time employees. Acquisitions of the Holding Company's common stock for the Plan by the Bank were funded internally through a borrowing from the Holding Company, which is repayable annually with interest over twenty-five years. The cost of shares issued to the ESOP but not allocated to participants is presented in the consolidated statement of financial condition as a reduction of shareholders' equity. ESOP shares are released to participants proportionately as the loan is repaid. Allocations to individual accounts are based on participant compensation. As shares are committed to be released to participants, the Company reports compensation expense equal to the current market price of the shares and the shares become outstanding for earnings per share computations. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to additional paid-in-capital. Dividends on allocated shares reduce retained earnings; dividends on unallocated ESOP shares reduce debt and accrued interest.

The Bank has a defined contribution plan under section 401(k) of the Internal Revenue Code. This plan covers all Bank employees with at least three months of service. The Bank's contributions to this plan are discretionary and begin after one year of service. Employee contributions are voluntary. Employees vest immediately in their own contributions, and vest in the Bank's contributions based on years of service.

The Company has a Directors Retirement Plan for the benefit of its eligible non-employee members of the Board of Directors of the Company. This plan is an unfunded arrangement and intended to comply with Internal Revenue Code Section 409A. The plan allows for deferred compensation elections and a supplemental contribution by the Bank. The plan has been frozen to new members that joined our Board after our 2018 annual meeting. The Company also has a supplemental executive retirement plan, under Internal Revenue Code Section 409A, for selected officers. This plan is an unfunded arrangement that consists of an annual contribution calculated based on a target benefit.

m. Foreclosed Real Estate

Real estate and other assets acquired in settlement of loans are carried at the fair value of the property at the date of acquisition less estimated selling costs. The following table represents the detail of such assets at December 31:

	At December 31,	
(In thousands)	**2023**	**2022**
Foreclosed real estate	$ 118	$ 12
	$ 118	$ 12

Write-downs from cost to fair value less estimated selling costs, which are required at the time of foreclosure or repossession, are charged to the allowance for credit losses. Subsequent write-downs to fair value, net of estimated selling costs and the net operating expenses of foreclosed and repossessed assets, are charged to other noninterest expenses and were approximately $35,000 and $15,000 for years ended 2023 and 2022, respectively.

At December 31, 2023 there were six one- to four-family residential mortgage loans in the process of foreclosure for a total of $354,000. At December 31, 2022 there were 13 one- to four-family residential mortgage loans, two home equity loans, one nonresidential loan, and one commercial loan in the process of foreclosure for a total of $1.6 million.

n. Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred.

o. Income Taxes

Deferred income tax assets and liabilities are determined using the liability method. Under this method, the net deferred tax asset or liability is recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as net operating losses, capital losses, and contribution carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date. To the extent that current available evidence about the future raises doubt about the likelihood of a deferred tax asset being realized, a valuation allowance is established. The judgment about the level of future taxable income, including that which is considered capital, is inherently subjective and is reviewed on a continual basis as regulatory and business factors change. Interest and penalties are included as a component of noninterest expense if incurred.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent. The terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. At December 31, 2023 and 2022, the Company had no uncertain tax positions.

p. Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and unrecognized gains or losses and prior service credits for the defined benefit pension plan are reported as a separate component of the shareholders' equity section of the consolidated statements of financial condition, such items, along with net (loss) income, are components of comprehensive income.

The amounts of income tax (expense) benefit allocated to each component of other comprehensive income are as follows:

(In thousands)	For Years Ended December 31, 2023	2022
Unrealized (gains) losses on securities available-for-sale:		
Unrealized holding (gains) losses arising during the period	$ (292)	$ 1,095
Reclassification adjustment for net gains included in net income	—	—
Net unrealized (gains) losses on securities available-for-sale	(292)	1,095
Defined benefit pension plan:		
Net plan (gains) losses arising during the period	(261)	366
Reclassification of amortization of net losses and prior service credit recognized in net pension expense	(34)	—
Net change in defined benefit pension plan asset	(295)	366
	$ (587)	$ 1,461

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

Year Ended December 31, *(In thousands)*	**Unrealized (Losses) Gains on Securities Available-for-Sale**	**Defined Benefit Pension Plan**	**Accumulated Other Comprehensive Loss**
Balance, December 31, 2022	$ (3,905)	$ (2,562)	$ (6,467)
Other comprehensive income before reclassifications	1,102	981	2,083
Amounts reclassified from AOCI to the statements of operations	—	127	127
Net current-period other comprehensive income	1,102	1,108	2,210
Balance, December 31, 2023	$ (2,803)	$ (1,454)	$ (4,257)
Balance, December 31, 2021	$ 215	$ (1,181)	$ (966)
Other comprehensive loss before reclassifications	(4,120)	(1,381)	(5,501)
Net current-period other comprehensive loss	(4,120)	(1,381)	(5,501)
Balance, December 31, 2022	$ (3,905)	$ (2,562)	$ (6,467)

q. Earnings Per Common Share

Basic earnings (losses) per common share is calculated by dividing net income (loss) 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 shares 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 year ended December 31, 2023. The Company had anti-dilutive shares of 62,827 as of the year-ended December 31, 2023. 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 includes 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 year ended December 31, 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. On July 25, 2022, the Board of Directors authorized a second stock repurchase program to acquire up to 87,000 shares, or approximately 3.6%, of the Company's outstanding common stock at the conclusion of the first stock repurchase program. On May 31, 2023, the Board of Directors authorized a third stock repurchase program to acquire up to $1.0 million, or approximately 91,000 shares, or approximately 4.0% of the Company's outstanding common stock, based on the current trading price of the common stock. At this time the Company does not expect to repurchase any more shares under the third stock repurchase program. 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 table sets forth the calculation of basic and diluted earnings per share.

(In thousands, except per share data)	**Year Ended December 31, 2023**	**2022**
Net (loss) income available to common stockholders	$ (1,567)	$ 1,087
Weighted-average common shares outstanding	2,191	2,310
(Losses) Earnings per common share - basic and diluted	$ (0.72)	$ 0.47

r. Recently Adopted and Recently Issued Accounting Pronouncements

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

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell. The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined that an allowance for credit losses on available-for-sale securities was not deemed material. For additional information on the allowance for credit losses, see Notes 5 and 6 to these condensed consolidated financial statements.

The following table illustrates the impact of ASC 326:

	January 1, 2023		
	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Residential mortgage loans:			
One- to four-family	$ 902	$ 787	$ 115
Construction	2	2	—
Commercial loans:			
Real estate - nonresidential	644	319	325
Multi-family	—	4	(4)
Commercial business	340	248	92
Consumer loans:			
Home equity and junior liens	56	65	(9)
Manufactured homes	—	110	(110)
Automobile	241	135	106
Student	17	55	(38)
Recreational vehicle	—	646	(646)
Other consumer	295	126	169
Allowance for credit losses on loans	$ 2,497	$ 2,497	$ —

s. Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 consolidated financial statement presentation. These reclassifications had no effect on net earnings.

3. Balances at Other Banks

The Bank may be required to maintain cash balances on hand or with the Federal Reserve Bank. At December 31, 2023, and 2022, the Bank did not have a reserve requirement.

4. Securities

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

	At December 31, 2023			
(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")	$ 20	$ —	$ —	$ 20
Corporate bonds	17,242	85	(2,280)	15,047
State and political subdivisions	17,588	112	(1,465)	16,235
Total securities available-for-sale	$ 34,850	$ 197	$ (3,745)	$ 31,302
Securities held-to-maturity:				
Structured certificates of deposit	$ 650	$ —	$ (208)	$ 442
Residential mortgage-backed - US agency and GSEs	804	1	(21)	784
Total securities held-to-maturity	$ 1,454	$ 1	$ (229)	$ 1,226
Equity securities:				
Large cap equity mutual fund	$ 45			$ 45
Other mutual funds	316			316
Total of equity securities	$ 361			$ 361

(in thousands)	At December 31, 2022 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed - US agency and GSEs	$ 25	$ —	$ (1)	$ 24
Corporate bonds	21,032	58	(2,896)	18,194
State and political subdivisions	16,935	2	(2,105)	14,832
Total securities available-for-sale	$ 37,992	$ 60	$ (5,002)	$ 33,050
Securities held-to-maturity:				
Structured certificates of deposit	$ 650	$ —	$ (252)	$ 398
Residential mortgage-backed - US agency and GSEs	937	1	(35)	903
Total securities held-to-maturity	$ 1,587	$ 1	$ (287)	$ 1,301
Equity securities:				
Large cap equity mutual fund	$ 37			$ 37
Other mutual funds	270			270
Total of equity securities	$ 307			$ 307

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 December 31, 2023					
	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	$ —	$ —	$ —	$ —	$ —	$ —
Corporate bonds	2,367	(14)	10,642	(2,266)	13,009	(2,280)
State and political subdivisions	1,427	(11)	13,336	(1,454)	14,763	(1,465)
Total securities available-for-sale	$ 3,794	$ (25)	$ 23,978	$ (3,720)	$ 27,772	$ (3,745)

	At December 31, 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	$ —	$ —	$ 19	$ (1)	$ 19	$ (1)
Corporate bonds	7,028	(725)	8,105	(2,171)	15,133	(2,896)
State and political subdivisions	10,330	(1,421)	4,133	(684)	14,463	(2,105)
Total securities available-for-sale	$ 17,358	$ (2,146)	$ 12,257	$ (2,856)	$ 29,615	$ (5,002)
Securities held-to-maturity:						
Structured certificates of deposit	$ —	$ —	$ 398	$ (252)	$ 398	$ (252)
Residential mortgage-backed - US agency and GSEs	691	(26)	206	(9)	897	(35)
Total securities held-to-maturity	$ 691	$ (26)	$ 604	$ (261)	$ 1,295	$ (287)

The Company conducts a formal review of investment securities on a quarterly basis for the presence of credit-related and non-credit-related losses. Management assesses whether a loss is present when the fair value of a debt security is less than its amortized cost basis at the statement of financial condition date. Unrealized losses on corporate bonds have not been recognized into income because the issuer(s) bonds are of investment quality, management does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds(s) approach maturity.

Twelve government agency and government sponsored enterprise (“GSE”) residential mortgage-backed security holdings have an unrealized loss as of December 31, 2023. The securities were issued by the Federal National Mortgage Association (“FNMA”), Federal Home Loan Mortgage Corporation (“FHLMC”) and the Government National Mortgage Association (“GNMA”). All of the 12 government-backed securities that have unrealized losses are immaterial, with an average deficiency of $1,800.

There are 110 bond issues held by the Company that have an unrealized loss at December 31, 2023. 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 rates, and as interest rates increase, the bond values decrease. Within this portfolio are six issued by corporate entities that have an aggregate loss of $1.7 million. These bonds have variable rates and reprice based upon the spread between immediate Treasury bond yields and long-term Treasury bond yields and will respond positively with the steepening of the yield curve. In addition, the credit quality of the bond issuers has also been reviewed with no concerns noted. 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 credit-related or non-credit-related losses are deemed present on these securities.

The Company monitors the credit quality of the debt securities held-to-maturity on a quarterly basis. At December 31, 2023 the amortized cost of debt securities held-to-maturity totaled $1.5 million. Structured certificates of deposit totaled $650,000 and are fully insured by the Federal Deposit Insurance Corporation as no one security exceeds the $250,000 insurance limit. Residential mortgage-backed securities totaled $804,000 and are backed by the full faith of the U.S. government. As a result, no credit-related or non-credit-related losses are deemed present on these securities.

The following is a summary of the amortized cost and estimated fair values of debt securities at December 31, 2023 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 debt securities generally exceed 20 years; however, the effective average life is expected to be substantially shorter due to anticipated repayments and prepayments.

	At December 31, 2023			
	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	$ 1,221	$ 1,215	$ —	$ —
Due over one year through five years	3,545	3,386	—	—
Due over five through ten years	5,685	4,673	—	—
Due after ten years	24,379	22,008	—	—
	34,830	31,282	—	—
Structured certificates of deposit	—	—	650	442
Residential mortgage-backed securities	20	20	804	784
Total	$ 34,850	$ 31,302	$ 1,454	$ 1,226

There were no gross realized gains or losses on sales and redemptions of available-for-sale securities for the years ended December 31, 2023 and 2022. 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 $12.0 million and $10.0 million were pledged to collateralize certain deposit arrangements at December 31, 2023 and 2022, respectively.

5. Loans Receivable

Major classifications of loans are as follows:

(In thousands)	At December 31, 2023
Residential mortgages:	
One- to four-family	$ 168,387
	168,387
Commercial loans:	
Real estate - nonresidential	14,437
Multi-family	832
Commercial business	18,821
	34,090
Consumer:	
Home equity and junior liens	13,632
Manufactured homes	48,681
Automobile	22,424
Student	1,569
Recreational vehicle	22,915
Other consumer	9,555
	118,776
Total Loans	321,253
Net deferred loan costs	15,351
Fair value credit and yield adjustment	(149)
Less allowance for loan losses	(2,973)
Loans receivable, net	$ 333,482

(In thousands)	At December 31, 2022
Originated Loans:	
Residential mortgages:	
One- to four-family	$ 129,448
Construction	387
	129,835
Commercial loans:	
Real estate - nonresidential	15,262
Multi-family	854
Commercial business	11,594
	27,710
Consumer:	
Home equity and junior liens	11,027
Manufactured homes	50,989
Automobile	24,339
Student	1,803
Recreational vehicle	26,909
Other consumer	7,125
	122,192
Total originated loans	279,737
Net deferred loan costs	16,274
Less allowance for loan losses	(2,497)
Net originated loans	$ 293,514

(In thousands)	At December 31, 2022
Acquired Loans:	
Residential mortgages:	
One- to four-family	$ 8,553
	8,553
Commercial loans:	
Real estate - nonresidential	1,419
Commercial business	83
	1,502
Consumer:	
Home equity and junior liens	535
Other consumer	47
	582
Total acquired loans	10,637
Net deferred loan costs	(53)
Fair value credit and yield adjustment	(218)
Net acquired loans	$ 10,366

(In thousands)	At December 31, 2022
Total Loans:	
Residential mortgages:	
One- to four-family	$ 138,001
Construction	387
	138,388
Commercial loans:	
Real estate - nonresidential	16,681
Multi-family	854
Commercial business	11,677
	29,212
Consumer:	
Home equity and junior liens	11,562
Manufactured homes	50,989
Automobile	24,339
Student	1,803
Recreational vehicle	26,909
Other consumer	7,172
	122,774
Total Loans	290,374
Net deferred loan costs	16,221
Fair value credit and yield adjustment	(218)
Less allowance for loan losses	(2,497)
Loans receivable, net	$ 303,880

The Company primarily grants residential mortgage, commercial, and consumer loans to customers throughout the Finger Lakes region of New York State, which includes parts of Cayuga, Seneca, and Ontario counties as well as 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 from a company who then services the loans. In 2020, the Company began to purchase automobile and recreational vehicle loans originated in New York State. In 2023, the Company did not purchase any recreational vehicle loans and does not expect to engage in purchases of these types of loans in the future.

Loan Origination / Risk Management

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

The loan portfolio is segregated into risk rating categories based on the borrower's overall financial condition, repayment sources, guarantors, and value of collateral, if appropriate. The risk ratings are evaluated at least annually for commercial loans unless credit deficiencies arise, such as delinquent loan payments, for commercial, residential mortgage, or consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful, and loss. Loans classified as loss are considered uncollectible and are charged to the allowance for credit loss. Loans not classified are rated as pass. See further discussion of risk ratings in Note 2.

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 December 31, 2023				
(In thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Residential mortgages:					
One- to four-family	$ 164,940	$ 1,169	$ 2,278	$ —	$ 168,387
	164,940	1,169	2,278	—	168,387
Commercial loans:					
Real estate - nonresidential	12,505	1,633	299	—	14,437
Multi-family	832	—	—	—	832
Commercial business	16,016	615	2,190	—	18,821
	29,353	2,248	2,489	—	34,090
Consumer:					
Home equity and junior liens	13,486	61	85	—	13,632
Manufactured homes	48,286	72	323	—	48,681
Automobile	22,216	88	120	—	22,424
Student	1,543	—	26	—	1,569
Recreational vehicle	21,974	650	291	—	22,915
Other consumer	9,428	56	71	—	9,555
	116,933	927	916	—	118,776
Total loans	$ 311,226	$ 4,344	$ 5,683	$ —	$ 321,253

	At December 31, 2022				
(In thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Originated Loans:					
Residential mortgages:					
One- to four-family	$ 125,949	$ 1,066	$ 2,433	$ —	$ 129,448
Construction	387	—	—	—	387
	126,336	1,066	2,433	—	129,835
Commercial loans:					
Real estate - nonresidential	12,870	1,691	701	—	15,262
Multi-family	854	—	—	—	854
Commercial business	8,349	2,529	716	—	11,594
	22,073	4,220	1,417	—	27,710
Consumer:					
Home equity and junior liens	10,891	14	122	—	11,027
Manufactured homes	50,297	324	368	—	50,989
Automobile	24,188	130	21	—	24,339
Student	1,735	—	68	—	1,803
Recreational vehicle	26,445	329	135	—	26,909
Other consumer	7,004	121	—	—	7,125
	120,560	918	714	—	122,192
Total originated loans	$ 268,969	$ 6,204	$ 4,564	$ —	$ 279,737

(In thousands)	At December 31, 2022 Pass	Special Mention	Substandard	Doubtful	Total
Acquired Loans:					
Residential mortgages:					
One- to four-family	$ 8,335	$ 45	$ 173	$ —	$ 8,553
	8,335	45	173	—	8,553
Commercial loans:					
Real estate - nonresidential	1,419	—	—	—	1,419
Commercial business	83	—	—	—	83
	1,502	—	—	—	1,502
Consumer:					
Home equity and junior liens	485	—	50	—	535
Other consumer	47	—	—	—	47
	532	—	50	—	582
Total acquired loans	$ 10,369	$ 45	$ 223	$ —	$ 10,637

(In thousands)	At December 31, 2022 Pass	Special Mention	Substandard	Doubtful	Total
Total Loans:					
Residential mortgages:					
One- to four-family	$ 134,284	$ 1,111	$ 2,606	$ —	$ 138,001
Construction	387	—	—	—	387
	134,671	1,111	2,606	—	138,388
Commercial loans:					
Real estate - nonresidential	14,289	1,691	701	—	16,681
Multi-family	854	—	—	—	854
Commercial business	8,432	2,529	716	—	11,677
	23,575	4,220	1,417	—	29,212
Consumer:					
Home equity and junior liens	11,376	14	172	—	11,562
Manufactured homes	50,297	324	368	—	50,989
Automobile	24,188	130	21	—	24,339
Student	1,735	—	68	—	1,803
Recreational vehicle	26,445	329	135	—	26,909
Other consumer	7,051	121	—	—	7,172
	121,092	918	764	—	122,774
Total loans	$ 279,338	$ 6,249	$ 4,787	$ —	$ 290,374

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 collateral-dependent 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.

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 are as follows:

	At December 31, 2023					
(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
Residential mortgage loans:						
One- to four-family	$ 5,397	$ 1,491	$ 2,277	$ 9,165	$ 159,222	$ 168,387
	5,397	1,491	2,277	9,165	159,222	168,387
Commercial loans:						
Real estate - nonresidential	—	—	29	29	14,408	14,437
Multi-family	384	—	—	384	448	832
Commercial business	388	73	41	502	18,319	18,821
	772	73	70	915	33,175	34,090
Consumer loans:						
Home equity and junior liens	336	77	85	498	13,134	13,632
Manufactured homes	609	72	323	1,004	47,677	48,681
Automobile	246	88	120	454	21,970	22,424
Student	4	—	25	29	1,540	1,569
Recreational vehicle	913	650	291	1,854	21,061	22,915
Other consumer	154	56	71	281	9,274	9,555
	2,262	943	915	4,120	114,656	118,776
Total loans	$ 8,431	$ 2,507	$ 3,262	$ 14,200	$ 307,053	$ 321,253

	At December 31, 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	$ 2,967	$ 1,158	$ 2,432	$ 6,557	$ 122,891	$ 129,448
Construction	—	—	—	—	387	387
	2,967	1,158	2,432	6,557	123,278	129,835
Commercial loans:						
Real estate - nonresidential	254	—	416	670	14,592	15,262
Multi-family	—	—	—	—	854	854
Commercial business	129	—	158	287	11,307	11,594
	383	—	574	957	26,753	27,710
Consumer loans:						
Home equity and junior liens	193	85	122	400	10,627	11,027
Manufactured homes	696	324	368	1,388	49,601	50,989
Automobile	402	130	21	553	23,786	24,339
Student	—	—	68	68	1,735	1,803
Recreational vehicle	1,005	329	135	1,469	25,440	26,909
Other consumer	95	122	—	217	6,908	7,125
	2,391	990	714	4,095	118,097	122,192
Total originated loans	$ 5,741	$ 2,148	$ 3,720	$ 11,609	$ 268,128	$ 279,737

	At December 31, 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
Acquired Loans:						
Residential mortgage loans:						
One- to four-family	$ 268	$ 103	$ 173	$ 544	$ 8,009	$ 8,553
	268	103	173	544	8,009	8,553
Commercial loans:						
Real estate - nonresidential	—	—	—	—	1,419	1,419
Commercial business	—	—	—	—	83	83
	—	—	—	—	1,502	1,502
Consumer loans:						
Home equity and junior liens	—	—	50	50	485	535
Other consumer	8	—	—	8	39	47
	8	—	50	58	524	582
Total acquired loans	$ 276	$ 103	$ 223	$ 602	$ 10,035	$ 10,637

(In thousands)	At December 31, 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	$ 3,235	$ 1,261	$ 2,605	$ 7,101	$ 130,900	$ 138,001
Construction	—	—	—	—	387	387
	3,235	1,261	2,605	7,101	131,287	138,388
Commercial loans:						
Real estate - nonresidential	254	—	416	670	16,011	16,681
Multi-family	—	—	—	—	854	854
Commercial business	129	—	158	287	11,390	11,677
	383	—	574	957	28,255	29,212
Consumer loans:						
Home equity and junior liens	193	85	172	450	11,112	11,562
Manufactured homes	696	324	368	1,388	49,601	50,989
Automobile	402	130	21	553	23,786	24,339
Student	—	—	68	68	1,735	1,803
Recreational vehicle	1,005	329	135	1,469	25,440	26,909
Other consumer	103	122	—	225	6,947	7,172
	2,399	990	764	4,153	118,621	122,774
Total loans	$ 6,017	$ 2,251	$ 3,943	$ 12,211	$ 278,163	$ 290,374

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

(In thousands)	At December 31, 2023	At December 31, 2022
Residential mortgage loans:		
One- to four-family	$ 2,277	$ 2,605
	2,277	2,605
Commercial loans:		
Real estate - nonresidential	29	416
Commercial business	397	587
	426	1,003
Consumer loans:		
Home equity and junior liens	85	172
Manufactured homes	323	368
Automobile	120	21
Student	25	68
Recreational vehicle	291	135
Other consumer	71	—
	915	764
Total non-accrual loans	$ 3,618	$ 4,372

There were no loans past due more than ninety days and still accruing interest at December 31, 2023 and 2022.

Loan Modifications

Prior to January 1, 2023, the Company was required to disclose certain activities related to Troubled Debt Restructuring ("TDR") in accordance with accounting guidance. Certain loans were modified in a TDR where economic concessions have been granted to a borrower who is experiencing, or 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.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses. In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

There were no loans that had been modified as a TDR during the year ended December 31, 2022.

At December 31, 2022, the Company had seven 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. At January 1, 2023, as part of the adoption of the CECL standard, two of these loans totaling $270,000 were returned to the general pool to be collectively reviewed as a result of making regularly scheduled payments as agreed. The remaining five loans totaling $2.2 million will continue to be individually reviewed although regularly scheduled payments have been made as agreed. There were no loans modified to borrowers experiencing financial difficulties during the year ended December 31, 2023.

Impaired Loans

Prior to January 1, 2023, a loan was considered impaired when based on current information and events it was probable that the Company would 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 Company designates individually evaluated loans on nonaccrual status as collateral-dependent loans, as well as other loans that management of the Company designates as having higher risk. Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral-dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized costs. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table presents an analysis of collateral-dependent loans for the Company as of December 31, 2023:

(In thousands)	Residential properties	Business assets	Land	Commercial property	Other	Total Loans
One- to four-family	$ 1,977	$ —	$ —	$ —	$ —	$ 1,977
Real estate - nonresidential	29	—	—	—	—	29
Commercial business	—	414	—	—	—	414
Home equity and junior liens	85	—	—	—	—	85
Total loans	$ 2,091	$ 414	$ —	$ —	$ —	$ 2,505

The following table summarizes collateral-dependent loan information by portfolio class:

	Year Ended December 31, 2023	
(In thousands)	Average recorded investment	Interest income recognized
One- to four-family residential mortgages	$ 2,034	$ 70
Commercial real estate - nonresidential	30	—
Commercial business	536	18
Home equity and junior liens	87	3
	$ 2,687	$ 91

The following table summarizes impaired loan information by portfolio class:

	At December 31, 2022		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance
With no related allowance recorded:			
One- to four-family residential mortgages	$ 2,560	$ 2,641	$ —
Commercial real estate - nonresidential	701	801	—
Commercial business	717	729	—
Home equity and junior liens	181	191	—
Total:			
One- to four-family residential mortgages	2,560	2,641	—
Commercial real estate - nonresidential	701	801	—
Commercial business	717	729	—
Home equity and junior liens	181	191	—
	$ 4,159	$ 4,362	$ —

The following table presents the amortized cost information of loans on non-accrual status:

	Amortized cost of loans on non-accrual status		Interest income recognized on non-accrual loans as of	Non-accrual loans with no allowance for credit losses as of
(In thousands)	January 1, 2023	December 31, 2023	December 31, 2023	December 31, 2023
Residential mortgage loans:				
One- to four-family	$ 2,605	$ 2,328	$ 70	$ 2,277
Commercial loans:				
Real estate - nonresidential	416	29	—	29
Commercial business	587	397	1	356
Consumer loans:				
Home equity and junior liens	172	84	3	85
Manufactured homes	368	323	—	323
Automobile	21	116	6	120
Student	68	26	—	26
Recreational vehicle	135	215	12	291
Other consumer	—	58	6	71
	$ 4,372	$ 3,576	$ 98	$ 3,578

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

The following tables present the loans to customers as of December 31, 2023 based on year of origination within each credit quality indicator:

	At December 31, 2023						
	2023	2022	2021	2020	2019	Prior	Total
Residential mortgage loans:							
4 Internal grade	$ 39,312	$ 41,364	$ 10,185	$ 11,309	$ 11,008	$ 51,762	$ 164,940
5 Internal grade	—	—	27	—	—	1,142	1,169
6 Internal grade	—	132	—	41	763	1,342	2,278
	$ 39,312	$ 41,496	$ 10,212	$ 11,350	$ 11,771	$ 54,246	$ 168,387
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ (169)	$ (169)
Current period recoveries	—	—	—	—	—	4	4
Current period net write-offs	$ —	$ —	$ —	$ —	$ —	$ (165)	$ (165)
Commercial loans:							
2 Internal grade	$ —	$ —	$ —	$ —	$ —	$ 360	$ 360
3 Internal grade	1,615	155	594	242	459	4,212	7,277
4 Internal grade	6,496	3,461	657	193	409	10,500	21,716
5 Internal grade	—	—	—	—	2,028	220	2,248
6 Internal grade	—	—	—	—	41	2,448	2,489
	$ 8,111	$ 3,616	$ 1,251	$ 435	$ 2,937	$ 17,740	$ 34,090
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period recoveries	—	—	—	—	—	53	53
Current period net write-offs	$ —	$ —	$ —	$ —	$ —	$ 53	$ 53
Consumer loans:							
4 Internal grade	$ 16,103	$ 24,083	$ 25,866	$ 31,711	$ 8,668	$ 10,502	$ 116,933
5 Internal grade	—	104	474	227	17	105	927
6 Internal grade	—	83	406	295	54	78	916
	$ 16,103	$ 24,270	$ 26,746	$ 32,233	$ 8,739	$ 10,685	$ 118,776
Current period gross write-offs	$ —	$ (40)	$ (279)	$ (1)	$ (2)	$ (68)	$ (390)
Current period recoveries	—	—	15	—	3	33	51
Current period net write-offs	$ —	$ (40)	$ (264)	$ (1)	$ 1	$ (35)	$ (339)

6. Servicing

At December 31, 2023 and 2022 one- to four-family residential mortgage loans serviced for others amounted to approximately $8.0 million and $9.9 million, respectively. These loans are not included in the accompanying consolidated statements of financial condition. A portion of the serviced loan portfolio, with outstanding balances totaling $7.1 million and $8.3 million at December 31, 2023 and 2022, was sold with limited recourse provisions. See Note 18 for further information.

The balance of capitalized servicing rights included in other assets at December 31, 2023 and 2022 was $6,000 and $14,000, respectively. Annual amortization of servicing rights is immaterial.

7. Allowance for Loan Loss

The following tables summarize the activity related to the allowance for credit losses for the years ended December 31, 2023 and 2022:

	Year Ended December 31, 2023					
(In thousands)	Beginning Balance	Additional Allowance Recognized Due to Adoption of Topic 326	Credit Loss Expense for the Period	Writeoffs During the Period	Recoveries During the Period	Ending Balance
Residential mortgage loans:						
One- to four-family	$ 787	$ 115	$ 445	$ (167)	$ 4	$ 1,184
Construction	2	—	(2)	—	—	—
Commercial loans:						
Real estate - nonresidential	319	325	(149)	—	—	495
Multi-family	4	(4)	—	—	—	—
Commercial business	248	92	(187)	—	53	206
Consumer loans:						
Home equity and junior liens	65	(9)	78	(32)	—	102
Manufactured homes	110	(110)	—	—	—	—
Automobile	135	106	98	(142)	45	242
Student	55	(38)	26	(36)	5	12
Recreational vehicle	646	(646)	542	(173)	—	369
Other consumer	126	169	76	(9)	1	363
	$ 2,497	$ —	$ 927	$ (559)	$ 108	$ 2,973

At December 31, 2023 there was a $6,000 liability recorded for unfunded loan commitments.

Prior to the adoption of ASC 326 on January 1, 2023, the Company calculated the allowance for loan losses under the incurred loss methodology. The following tables are disclosures related to the allowance for loan losses in prior periods.

	Year Ended December 31, 2022					
(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	$ 688	$ —	$ 630	$ 2	$ —	$ 161
Charge-offs	(37)	—	—	—	—	(14)
Recoveries	18	—	—	—	—	2
Provision (credit) for loan losses	118	2	(311)	2	—	99
Ending balance	$ 787	$ 2	$ 319	$ 4	$ —	$ 248
Ending balance: related to loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: related to loans collectively evaluated for impairment	$ 787	$ 2	$ 319	$ 4	$ —	$ 248
Loans receivable:						
Ending balance	$ 138,001	$ 387	$ 16,681	$ 854	$ —	$ 11,677
Ending balance: individually evaluated for impairment	$ 2,560	$ —	$ 701	$ —	$ —	$ 717
Ending balance: collectively evaluated for impairment	$ 135,441	$ 387	$ 15,980	$ 854	$ —	$ 10,960

	Year Ended December 31, 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	(10)	—	(59)	(29)	(1)	(2)	—	(152)
Recoveries	—	—	149	3	1	4	—	177
Provision (credit) for loan losses	36	8	(62)	17	646	76	—	631
Ending balance	$ 65	$ 110	$ 135	$ 55	$ 646	$ 126	$ —	$ 2,497
Ending balance: related to loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: related to loans collectively evaluated for impairment	$ 65	$ 110	$ 135	$ 55	$ 646	$ 126	$ —	$ 2,497
Loans receivable:								
Ending balance	$ 11,562	$ 50,989	$ 24,339	$ 1,803	$ 26,909	$ 7,172	$ —	$ 290,374
Ending balance: individually evaluated for impairment	$ 181	$ —	$ —	$ —	$ —	$ —	$ —	$ 4,159
Ending balance: collectively evaluated for impairment	$ 11,381	$ 50,989	$ 24,339	$ 1,803	$ 26,909	$ 7,172	$ —	$ 286,215

8. Federal Home Loan Bank of New York Stock

The Bank is required to maintain an investment in the stock of the Federal Home Loan Bank of New York ("FHLB") in an amount equal to at least 1% of the unpaid principal balances of the Bank's residential mortgage loans or 1/20 of its outstanding advances from the FHLB, whichever is greater. Purchases and sales of stock are made directly with the FHLB at par value.

9. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows:

(In thousands)	At December 31, 2023	At December 31, 2022
Premises:		
Land	$ 3,827	$ 3,867
Buildings and improvements	17,763	18,265
Equipment	7,332	7,493
Construction in progress	205	39
	29,127	29,664
Less: Accumulated depreciation	14,932	14,801
	$ 14,195	$ 14,863

10. Intangible Assets and Goodwill

Intangible assets and goodwill are summarized as follows:

	At December 31, 2023		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Value
Amortized intangible assets:			
Non-compete agreements	$ —	$ —	$ —
Core deposit intangible	964	(310)	654
Goodwill	—	—	—
	$ 964	$ (310)	$ 654

	At December 31, 2022		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Value
Amortized intangible assets:			
Non-compete agreements	$ 5	$ (4)	$ 1
Core deposit intangible	964	(247)	717
Goodwill	792	—	792
	$ 1,761	$ (251)	$ 1,510

On December 28, 2016, the Company purchased the John G. Sweeney Agency, Inc. The acquisition of this insurance agency included both the purchase of all issued and outstanding common stock of the corporation and a non-compete agreement. Upon the acquisition of the agency, the corporation was dissolved and the value remitted for the purchase of said common shares was recorded as goodwill of $465,000, having no tangible assets associated with the transaction. In consideration for a non-compete covenant covering seven (7) years, the seller was paid $5,000, which was recorded as an intangible asset and is amortized over the seven-year period starting January 1, 2017. The goodwill was extinguished as a result of the sale of Generations Agency's book of business to The Northwoods Corporation on June 1, 2023.

On September 29, 2018, the Company merged Medina Savings and Loan Association ("MSL") into Generations Bank. The transaction was structured as a merger with a mutual entity. The consideration paid represents the appraised value of MSL. 171,440 shares of Company stock were issued to the Mutual Holding Company based on the market price per share of the Company as of the date of the merger. The assets and liabilities of MSL were marked to fair value as of the date of the merger. The fair value of the Core Deposit Intangible ("CDI"), was determined using such factors as deposit mix, interest costs, fee income generated, and servicing costs. It is the economic benefit that a holder of deposits could expect to realize from the deposit base versus using an alternative source of funds. The

CDI valuation employed a discounted cash flow analysis to determine the fair value of the acquired core deposits to fund operations, versus using comparable term (i.e. term to maturity) wholesale borrowings. As of the valuation date, the intangible value of MSL's core deposits was, in aggregate, $964,000 on a pre-tax basis, equal to 2.50% of the acquired core deposits. The fair value calculations include the present value of tax benefits assuming the intangible asset is amortized on a straight-line basis over 15 years with an effective tax rate of 21%.

Amortization expense for the core intangible asset for the year ended December 31, 2023 was $64,000, as well as the estimated aggregate amortization expense for each of the five succeeding years is summarized as follows:

For Years Ended December 31,	**Amortization Expense**
(In thousands)	
2024	$ 64
2025	64
2026	64
2027	64
2028	64
	$ 320

Goodwill previously recorded was being amortized for federal and state income tax purposes.

There were no impairment losses on intangible assets for the years ended December 31, 2023 and 2022. There were no impairment losses on goodwill for the year ended December 31, 2022.

11. Deposits

Deposits, by deposit type, are summarized as follows:

	At December 31,	
(In thousands)	**2023**	**2022**
Checking accounts, non-interest bearing	$ 51,528	$ 54,609
Checking accounts, interest-bearing	35,110	38,137
Money market accounts	19,164	26,456
Savings accounts	80,520	92,643
Time deposits	171,284	105,833
	$ 357,606	$ 317,678

We participate in reciprocal deposit services for our customers through the CDARS and Insured Cash Sweep networks. Included in time deposits in the above table are $59.9 million and $33.0 million in these reciprocal deposits as of December 31, 2023 and 2022, respectively. All brokered time deposits had balances less than $250,000. Early withdrawal of these deposits is not permitted.

Scheduled maturities of time deposits, including those that were obtained through the third party broker, are summarized as follows:

(In thousands)	At December 31, 2023
2024	$ 156,348
2025	8,744
2026	1,204
2027	3,242
2028	1,646
Thereafter	100
	$ 171,284

The aggregate amount of time deposits with balances equal to or greater than $250,000 was $37.3 million and $29.1 million at December 31, 2023 and 2022, respectively.

12. Borrowings

The composition of borrowings is as follows:

	At December 31,	
(In thousands)	2023	2022
Short-term:		
FHLB Advances	$ —	$ 16,200
Long-term:		
FHLB fixed-rate term advances	$ 15,281	$ 2,281
FHLB fixed-rate amortizing advances	8,296	8,053
Total long-term borrowings	$ 23,577	$ 10,334

The principal balances and interest rates of the above fixed-rate borrowings are as follows:

	At December 31, 2023	
(In thousands)	Principal	Rates
Long-term:		
FHLB fixed-rate term advances	$ 15,281	0.00%-4.88%
FHLB fixed-rate amortizing advances	8,296	0.96%-4.86%
Total long-term borrowings	$ 23,577	

	At December 31, 2022	
(In thousands)	Principal	Rates
Short-term:		
FHLB advances	$ 16,200	3.96%-4.75%
Long-term:		
FHLB fixed-rate term advances	$ 2,281	0.00%-2.48%
FHLB fixed-rate amortizing advances	8,053	0.96%-3.03%
Total long-term borrowings	$ 10,334	

The maturities of long-term borrowings are as follows:

(In thousands)	At December 31, 2023	2022
Long-term:		
Due within 1 year	$ 3,577	$ 2,844
Due within 2 years	1,526	3,935
Due within 3 years	6,333	1,145
Due within 4 years	6,175	1,818
Due within 5 years	5,801	462
Thereafter	165	130
Total long-term borrowings	$ 23,577	$ 10,334

The Bank had $68.8 million borrowing availability with the FHLB at December 31, 2023. The Bank's aggregate unused FHLB borrowing capacity was approximately $37.6 million at December 31, 2023.

FHLB borrowings are secured by the Bank's investment in FHLB stock and by a blanket security agreement. This agreement requires the Bank to maintain as collateral certain qualifying assets (principally FHLB stock and residential mortgage loans) not otherwise pledged, with a fair value (as defined) at least equal to 120% of outstanding advances, or $28.3 million and $31.8 million at December 31, 2023 and 2022. Residential mortgage loans with a carrying value of $106.6 million and $91.6 million at December 31, 2023 and 2022 and FHLB stock with a carrying value of $1.6 million and $1.7 million at December 31, 2023 and 2022 have been pledged by the Company under the blanket collateral agreement to secure the Company's borrowings. Additional borrowings are available to the Bank upon delivery of investment securities and/or loans secured by non-residential property.

The Bank has a $10.0 million unsecured line of credit with a correspondent bank. The Bank also has two additional unsecured fed funds lines of credit totaling $10.5 million. At December 31, 2023 and 2022 there were no outstanding advances on these lines.

13. Income Taxes

The Company's income tax (benefit) expense included in the consolidated statements of operations is as follows:

(In thousands)	Year Ended December 31, 2023	2022
Current tax expense:		
Federal	$ —	$ (15)
State	19	31
Total current tax expense	19	16
Deferred tax (benefit) expense:		
Federal	(444)	200
Total deferred tax (benefit) expense	(444)	200
(Benefit) Expense for income taxes	$ (425)	$ 216

The Company files consolidated Federal income and New York State franchise tax returns on a calendar year basis. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are recorded in either other assets or other liabilities on the consolidated statements of financial condition and are as follows as of December 31:

(In thousands)	At December 31, 2023	At December 31, 2022
Assets:		
Deferred compensation	$ 142	$ 213
Accrued compensation	69	—
Allowance for loan losses	656	570
Net operating loss carryforward	1,369	720
Investment securities, unrealized losses	698	1,000
Nonaccrual interest	49	62
Equity incentive plan	16	17
Other	95	101
	3,094	2,683
Liabilities:		
Pension	(2,736)	(2,246)
Intangible assets	(118)	(198)
Mortgage servicing rights	—	(3)
Depreciation	(65)	(89)
Other	(1)	(3)
	(2,920)	(2,539)
Net deferred tax asset	174	144
Deferred tax asset valuation allowance	(174)	—
	$ —	$ 144

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carry back period. A valuation allowance is provided when it is more likely than not that some portion, or all of the deferred tax assets, will not be realized. In assessing the need for a valuation allowance, management considers the whether the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future level of taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. The judgment about the level of future taxable income is inherently subjective and is reviewed on a continual basis as regulatory and business factors change.

During the fourth quarter of 2023, the Company made the determination to establish a full valuation allowance for its deferred tax assets. Current and future impacts of business and economic factors considered in this determination include, but are not limited to: increased interest rates and competition, slowed loan growth, reduced money supply, management turnover, and more assertive regulators. Based on the Company's recent history of taxability, uncertain profitability in future years, and assessment of the factors discussed above, it is more likely than not that the Company will not realize it's net deferred tax assets, and accordingly a full valuation allowance was recorded against these assets in 2023, compared to the 2022 valuation allowance covering only the capital loss carryforward. The total valuation allowance recorded against these deferred tax assets was recorded as income tax expense in the consolidated statement of operations.

At December 31, 2023, Generations Bancorp had pre-2018 net operating loss carryforwards of approximately $860,000 which expire in years 2033-2037. Additionally, Generations Bancorp has loss carryforwards of $5.7 million with no expiration period. At December 31, 2023, Generations Bancorp had a full valuation allowance against their net operating loss carryforwards.

Our federal and state tax returns are statutorily subject to potential audit for the years 2020 through 2023. No income tax returns are under audit as of December 31, 2023.

A reconciliation of the federal statutory income tax rate to the effective income tax rate for the years ended December 31, 2023 and 2022 is as follows:

	Years Ended December 31,	
	2023	2022
Federal statutory income tax rate	21.0 %	21.0 %
State tax, net of federal benefit	(0.8)%	4.0 %
Bank owned life insurance and other permanent differences	5.9 %	1.0 %
Tax exempt income	3.6 %	(6.3)%
Deferred tax asset valuation allowance	(8.7)%	— %
Other	0.3 %	(3.1)%
Effective income tax rate	21.3 %	16.6 %

As a thrift institution, the Bank is subject to special provisions in the tax laws regarding its allowable tax bad debt deductions and related tax bad debt reserves. These deductions are determined using methods based on loss experience or a percentage of taxable income. Tax bad debt reserves represent the excess of allowable deductions over actual bad debt losses, and include a defined base-year amount. Deferred tax liabilities are recognized with respect to reserves in excess of the base-year amount, as well as any portion of the base-year amount that is expected to become taxable (or "recaptured") in the foreseeable future. The Bank's base-year tax bad debt reserves totaled $332,000 for Federal tax purposes at December 31, 2023 and 2022

14. Employee Benefit Plans

401(k) Plan

The Company provides for a savings and retirement plan for employees, which qualifies under section 401(k) of the Internal Revenue Code. The plan provides for voluntary contributions by participating employees ranging from one percent to fifteen percent of their compensation, subject to certain limitations. In addition, the Company will make a matching contribution, equal to 25% of the employee's contribution. Matching contributions vest to the employee ratably over a five-year period. For the years ended December 31, 2023 and 2022, expense attributable to contributions made by the Company amounted to $64,000 and $57,000, respectively.

Defined Benefit Plan

The Company provides pension benefits for eligible employees through two defined benefit pension plans (the "Plans"). The original plan accrues benefits for employees of Generations Bank that were hired prior to October 1, 2016. A second plan was acquired with the MSL merger and covers MSL employees that were participants of that plan effective September 30, 2018. Both plans have been frozen to new employees and cover eligible Company employees at least 21 years of age and with at least one year of service. Eligible employees participate in the retirement plan on a non-contributing basis, and are fully vested after five years of service. Benefit payments to retired employees are based upon the length of service and percentages of average compensation over the employees' service period. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

The following tables set forth the changes in the Plans' benefit obligations, fair value of plan assets and the plans' funded status as of:

Generations Bank Plan: *(In thousands)*	**At December 31, 2023**	**2022**
Change in benefit obligations:		
Benefit obligations at beginning of year	$ 8,003	$ 12,110
Service Cost	239	431
Interest cost	471	409
Actuarial loss (gain)	78	(3,996)
Benefit paid	(281)	(951)
Benefit obligations at end of year	8,510	8,003
Change in plan assets:		
Fair value of plan assets at beginning of year	16,167	20,281
Actual gain (loss) return on plan assets	2,306	(3,492)
Benefits paid	(281)	(951)
Employer contributions	361	329
Fair value of plan assets at end of year	18,553	16,167
Funded Status	$ 10,043	$ 8,164

Medina Savings and Loan Plan: *(In thousands)*	**At December 31, 2023**	**2022**
Change in benefit obligations:		
Benefit obligations at beginning of year	$ 2,326	$ 3,301
Service cost	12	33
Interest cost	134	110
Actuarial (gain) loss	88	(792)
Benefits paid	(182)	(326)
Benefit obligations at end of year	2,378	2,326
Change in plan assets:		
Fair value of plan assets at beginning of year	4,859	6,237
Actual (loss) return on plan assets	685	(1,052)
Benefits paid	(182)	(326)
Fair value of plan assets at end of year	5,362	4,859
Funded Status	$ 2,984	$ 2,533

Amounts recognized in accumulated other comprehensive loss are as follows:

Generations Bank Plan: *(In thousands)*	**Year Ended December 31, 2023**	**2022**
Unrecognized net loss	$ 1,789	$ 2,952
Tax Effect	375	620
	$ 1,414	$ 2,332

Medina Savings and Loan Plan: *(In thousands)*	**Year Ended December 31, 2023**	**2022**
Unrecognized net loss	$ 51	$ 292
Tax Effect	11	61
	$ 40	$ 231

The accumulated benefit obligation for the Generations Bank defined benefit pension plan was $7,811,000 and $7,187,000 at December 31, 2023 and 2022, respectively. The accumulated benefit obligation for the Medina Savings and Loan defined benefit pension plan was $2,328,000 and $2,298,000 at December 31, 2023 and 2022.

The assumptions used to determine the benefit obligations are as follows:

Generations Bank Plan:	**At December 31, 2023**	**2022**
Weighted average discount rate	5.77 %	6.02 %
Rate of increase in future compensation levels	4.00 %	4.00 %

Medina Savings and Loan Plan:	**At December 31, 2023**	**2022**
Weighted average discount rate	5.79 %	6.01 %
Rate of increase in future compensation levels	4.00 %	4.00 %

The Company elects to use an analysis of the Plans expected future cash flows and high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits to yield the discount rates shown. This method determines the interest rate used to discount the expected cash flows from the retirement plan, establishing the pension benefit obligation and the post-retirement benefit obligation at December 31st of each year.

Each discount rate was developed by matching the expected future cash flows to high quality bonds. Every bond considered has earned ratings of at least AA by Fitch Group, AA by Standard & Poor's, or Aa2 by Moody's Investor Services. The bonds were not callable and their price was based on the most recent market transaction in the 75 days prior to the fiscal year end. Fixed coupon and zero coupon bonds were considered.

The components of net periodic pension expense and amounts recognized in other comprehensive income are as follows:

Generations Bank Plan: *(In thousands)*	**Year Ended December 31, 2023**	**2022**
Net periodic expenses recognized in income:		
Service cost	$ 239	$ 431
Interest cost	471	409
Expected return on plan assets	(1,225)	(1,533)
Amortization of net losses	161	—
Net periodic pension benefit	(354)	(693)
Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss:		
Net actuarial (gain) loss	(1,163)	1,028
Total recognized in other comprehensive (income) loss	(1,163)	1,028
Total recognized in net periodic pension benefit and other comprehensive (income) loss	$ (1,517)	$ 335

Medina Savings and Loan Plan: *(In thousands)*	**Year Ended December 31, 2023**	**2022**
Net periodic expenses recognized in income:		
Service cost	$ 12	$ 33
Interest cost	134	110
Expected return on plan assets	(357)	(460)
Net periodic pension benefit	(211)	(317)
Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss:		
Net actuarial (gain) loss	(240)	720
Total recognized in other comprehensive (income) loss	(240)	720
Total recognized in net periodic pension benefit and other comprehensive (income) loss	$ (451)	$ 403

The estimated amount that will be amortized from accumulated other comprehensive loss on the Generations Bank plan into net periodic expense for the year ending December 31, 2024 is $0. The estimated amount that will be amortized from accumulated other comprehensive income on the Medina Savings and Loan plan into net periodic expense for the year ending December 31, 2024 is $0.

The following weighted-average assumptions were used to determine net periodic pension expense:

Generations Bank Plan:	**At December 31, 2023**	**2022**
Weighted average discount rate	6.02 %	3.42 %
Long-term rate of return on plan assets	7.50 %	7.50 %
Rate of increase in future compensation levels	4.00 %	4.00 %

Medina Savings and Loan Plan:	**At December 31, 2023**	**2022**
Weighted average discount rate	6.01 %	3.44 %
Long-term rate of return on plan assets	7.50 %	7.50 %
Rate of increase in future compensation levels	4.00 %	4.00 %

The Bank expects to contribute $0 to the Generations Bank plan and $0 to the Medina Savings and Loan plan in 2024.

The following tables show the expected benefit payments to be paid to participants for the years ended December 31:

Generations Bank Plan: *(In thousands)*	Amount
2024	$ 311
2025	333
2026	347
2027	347
2028	381
2029-2033	2,881

Medina Savings and Loan Plan:

(In thousands)	Amount
2024	$ 182
2025	180
2026	178
2027	175
2028	183
2029-2033	873

Investment Policies and Strategies

Plan assets in both plans are invested in diversified investment funds that include equity and bond mutual funds, each with its own investment objectives, investment strategies, and risks, as detailed in each fund's prospectus. The Plan Sponsor determines the appropriate strategic asset allocation in accordance with the plan's long-term investment objectives. The long-term investment objectives for both pension plans are to generate a return on plan assets that will meet or exceed the rate at which long-term obligations will grow to assist in maintaining plan assets at a level that will sufficiently cover long-term obligations.

Pension plan assets measured at fair value are summarized below. Level 1 values are determined using quoted prices in active markets; Level 2 values are based on significant observable inputs; and Level 3 values are estimated based on significant unobservable inputs.

The risk/volatility in the investments of the Generations Bank pension plan and the Medina Savings and Loan pension plan are managed by maintaining a broadly diversified combination of equity and fixed income portfolios with ample diversification within each fund as well. The current target allocation of both Plans' assets is 65% in equity securities (stock and commodity mutual funds) and 35% in debt securities (bond mutual funds).

Generations Bank Plan:

	At December 31, 2023			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Asset Category:				
Equities and Commodities:				
(1) Equity Income Separate Account -Z	$ —	$ 1,489	$ —	$ 1,489
(2) Large Cap S&P 500 Index Separate Account -Z	—	2,967	—	2,967
(3) Blue Chip Separate Account-Z	—	1,555	—	1,555
(4) Mid-Cap Value Separate Account -Z	—	931	—	931
(5) Mid-Cap S&P 400 Index Separate Account Z	—	1,322	—	1,322
(6) Mid-Cap Growth Separate Account-Z	—	909	—	909
(7) Small-Cap Separate Account-Z	—	1,171	—	1,171
(8) Small-Cap S&P 600 Index Separate Account Z	—	1,129	—	1,129
(9) Global Emerging Markets Separate Acct-Z	—	724	—	724
Fixed Income:				
(10) Liquid Assets Separate Account-Z	—	21	—	21
(11) LDI Short Duration Separate Account-Z	—	878	—	878
(12) Core Fixed Income Separate Account-Z	—	1,811	—	1,811
(13) Core Plus Bond Separate Account-Z	—	3,646	—	3,646
Total	$ —	$ 18,553	$ —	$ 18,553

Generations Bank Plan:

(In thousands)	At December 31, 2022 Level 1	Level 2	Level 3	Total Fair Value
Asset Category:				
Equities and Commodities:				
(1) Equity Income Separate Account -Z	$ —	$ 1,369	$ —	$ 1,369
(2) Large Cap S&P 500 Index Separate Account -Z	—	2,631	—	2,631
(3) Blue Chip Separate Account-Z	—	1,308	—	1,308
(4) Mid-Cap Value Separate Account -Z	—	843	—	843
(5) Mid-Cap S&P 400 Index Separate Account Z	—	1,159	—	1,159
(6) Mid-Cap Growth Separate Account-Z	—	777	—	777
(7) Small-Cap Separate Account-Z	—	977	—	977
(8) Small-Cap S&P 600 Index Separate Account Z	—	947	—	947
(9) Global Emerging Markets Separate Acct-Z	—	672	—	672
Fixed Income:				
(10) Liquid Assets Separate Account-Z	—	20	—	20
(11) LDI Short Duration Separate Account-Z	—	778	—	778
(12) Core Fixed Income Separate Account-Z	—	1,560	—	1,560
(13) Core Plus Bond Separate Account-Z	—	3,126	—	3,126
Total	$ —	$ 16,167	$ —	$ 16,167

Medina Savings and Loan Plan:

(In thousands)	At December 31, 2023 Level 1	Level 2	Level 3	Total Fair Value
Asset Category:				
Equities and Commodities:				
(1) Equity Income Separate Account -Z	$ —	$ 430	$ —	$ 430
(2) Large Cap S&P 500 Index Separate Account -Z	—	856	—	856
(3) Blue Chip Separate Account-Z	—	448	—	448
(4) Mid-Cap Value Separate Account -Z	—	269	—	269
(5) Mid-Cap S&P 400 Index Separate Account Z	—	381	—	381
(6) Mid-Cap Growth Separate Account-Z	—	262	—	262
(7) Small-Cap Separate Account-Z	—	338	—	338
(8) Small-Cap S&P 600 Index Separate Account Z	—	326	—	326
(9) Global Emerging Markets Separate Acct-Z	—	209	—	209
Fixed Income:				
(10) Liquid Assets Separate Account-Z	—	16	—	16
(11) LDI Short Duration Separate Account-Z	—	253	—	253
(12) Core Fixed Income Separate Account-Z	—	522	—	522
(13) Core Plus Bond Separate Account-Z	—	1,052	—	1,052
Total	$ —	$ 5,362	$ —	$ 5,362

Medina Savings and Loan Plan:	At December 31, 2022			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Asset Category:				
Equities and Commodities:				
(1) Equity Income Separate Account -Z	$ —	$ 411	$ —	$ 411
(2) Large Cap S&P 500 Index Separate Account -Z	—	789	—	789
(3) Blue Chip Separate Account-Z	—	392	—	392
(4) Mid-Cap Value Separate Account -Z	—	253	—	253
(5) Mid-Cap S&P 400 Index Separate Account Z	—	348	—	348
(6) Mid-Cap Growth Separate Account-Z	—	233	—	233
(7) Small-Cap Separate Account-Z	—	293	—	293
(8) Small-Cap S&P 600 Index Separate Account Z	—	284	—	284
(9) Global Emerging Markets Separate Acct-Z	—	202	—	202
Fixed Income:				
(10) Liquid Assets Separate Account-Z	—	15	—	15
(11) LDI Short Duration Separate Account-Z	—	233	—	233
(12) Core Fixed Income Separate Account-Z	—	468	—	468
(13) Core Plus Bond Separate Account-Z	—	938	—	938
Total	$ —	$ 4,859	$ —	$ 4,859

(1) Equity Income Separate Account-Z: The investment seeks to provide current income and long-term growth of income and capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in dividend-paying equity securities at the time of purchase. It usually invests in equity securities of companies with large and medium market capitalizations. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued.

(2) The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

(3) The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with large market capitalizations at the time of purchase that, in the fund's investment advisor's opinion, display characteristics of a "blue chip" company. The advisor tends to focus on securities of companies that show potential for growth of capital as well as an expectation for above average earnings. The fund invests in securities of foreign companies, as well as companies with medium market capitalizations.

(4) The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with medium market capitalizations at the time of purchase. It invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued. The fund also invests in real estate investment trusts.

(5) The investment option normally invests the majority of assets in common stocks of companies that compose the S&P MidCap 400 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P MidCap 400 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P MidCap 400 Index.

(6) The investment option primarily invests in common stocks of medium capitalization companies with strong earnings growth potential. It normally invests the majority of assets in companies with market capitalizations similar to those companies in the Russell MidCap Growth Index. Management uses a bottom-up approach in selection of individual securities that it believes have an above average potential for earnings growth. It may invest up to 25% of assets in foreign securities.

(7) The investment seeks long-term growth of capital and primarily invests in common stocks of small capitalization companies. It normally invests the majority of assets in companies with market capitalizations similar to those of companies in the Russell 2000 Index. Management looks at stocks with value and/or growth characteristics and constructs an investment portfolio that has a blend of stocks with these characteristics. Management does not have a policy of preferring one of these styles to the other. The Separate Account may invest up to 25% of assets in foreign securities.

(8) The investment seeks long-term growth of capital and normally invests the majority of assets in common stocks of companies that compose the S&P SmallCap 600 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P SmallCap 600 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P SmallCap 600 Index.

(9) The investment option normally invests the majority of assets in equities of companies in emerging market countries. It invests in securities of companies with their principal place of business or principal office in emerging market countries; companies for which the principal securities trade in an emerging market; or companies, regardless of where their securities are traded, that derive 50% of their total revenue from either goods or services produced in emerging market countries. The fund may invest in securities of companies with small to medium market capitalizations.

(10) The investment seeks as high a level of current income as is considered consistent with preservation of principal and maintenance of liquidity. It invests in a portfolio of high quality, short-term instruments. The investments are U.S. dollar denominated securities which the sub-advisor believes present minimal credit risks. The sub-advisor maintains a dollar weighted average portfolio maturity of 60 days or less.

(11) The investment seeks to maximize total returns from the universe of debt securities in which the Portfolio invests. As a non-fundamental policy, under normal circumstances, the Portfolio will invest at least 80% of its net assets in fixed income securities considered to be investment grade quality. In addition, the Portfolio is authorized to invest more than 25% of its total assets in U.S. Treasury bonds, bills and notes, and obligations of federal agencies and instrumentalities.

(12) The investment seeks to provide a high level of current income consistent with preservation of capital. The fund invests primarily in a diversified pool of investment-grade fixed-income securities, including corporate securities, U.S. government securities, asset-backed securities and mortgage-backed securities. It maintains an average portfolio duration that is within from 75% to 125% of the duration of the Bloomberg Barclays US Aggregate Bond Index.

(13) The investment option invests primarily in intermediate term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security selection. The Separate Account may enter into reverse repurchase agreements to attempt to enhance portfolio return and income.

Determination of Long-Term Rate of Return

The long-term rate of return on assets assumption for both the Generations Bank Plan and the Medina Savings and Loan Plan were set based on historical returns earned by equities and fixed income securities, adjusted to reflect expectations of future returns as applied to the Plan's target allocation of asset classes. Equities and fixed income securities were assumed to earn real rates of return in the ranges of 5 - 9% and 2 - 6%, respectively. The long-term inflation rate was estimated to be 3%. When these overall return expectations are applied to the Plan's target allocation, the result is an expected rate of return of 6% - 10%.

Employee Stock Ownership Plan ("ESOP")

On July 10, 2006, the ESOP acquired 93,315 shares of Seneca-Cayuga Bancorp's common stock with funds provided by a loan from the Company. These shares like all other shares were exchanged into Company shares at the effective time of the 2021 second step conversion. The loan was repaid through annual installments through 2021. At December 31, 2021, unreleased shares totaled 3,104 and released shares totaled 90,032, both of which have been adjusted by the exchange ratio of 0.9981.

On January 12, 2021, the ESOP acquired 109,450 shares of the Company's common stock with funds provided by a loan from the Company. These new shares were combined with the remaining 3,104 unreleased shares acquired by the ESOP on July 10, 2006 for a total of 112,554 unreleased shares. The ESOP loan is repaid principally from the Bank's contributions to the ESOP. The loan is being repaid in annual installments through 2045 and bears interest at a fixed rate of 3.25%. Shares are released to participants proportionately as the loan is repaid and totaled 4,502 shares for the year ended December 31, 2023. Released shares from the ESOP totaled 103,538 shares with 90,032 attributable to the 2006 ESOP and 13,506 shares attributable to the 2021 ESOP. Unreleased shares totaled 99,048 for the year ended December 31, 2023. ESOP expense was $43,000 for the year ended December 31, 2023. At December 31, 2023, there were 99,048 shares unearned having an aggregate fair value of approximately $1.0 million based on a fair value per share of $10.14. The Company is obligated at the option of each participant to repurchase shares of the ESOP upon the participant's termination of employment or after retirement. The maximum repurchase obligation based on 103,538 shares released and fair value of $10.14 per share is $1.0 million at December 31, 2023. The maximum repurchase obligation based on 99,036 shares released and fair value of $10.80 per share was $1.1 million as of December 31, 2022.

Directors' Retirement Plan

In 2012, the Company adopted a Directors Retirement Plan for the benefit of its non-employee members of the Board of Directors. The program is a nonqualified deferred compensation arrangement designed to comply with Internal Revenue Code Section 409A. The Bank makes a supplemental contribution to the plan on an annual basis. The contributions are deposited into a rabbi trust and are thereby isolated from the Company's working capital. The grantor trust holds and distributes the funds according to the plan and trust documents. The fair value of the securities held in the rabbi trust was $316,000 and $270,000 at December 31, 2023 and 2022, respectively, and is included in equity investment securities. A liability of the same amount is included in other liabilities. Changes in the fair value of the underlying securities held in the rabbi trust are recorded as unrealized gains or losses on equity securities and a corresponding increase or decrease in directors' fees. In 2021, the Company expanded the Directors' Retirement Plan to allow participants to invest in the Company's stock. The fair value of the stock held in the rabbi trust was $343,000 and $390,000 at December 31, 2023 and 2022, respectively, and is reflected on the statement of condition as a liability. The cost of securities purchased and held in the rabbi trust was $338,000 and $363,000 at December 31, 2023 and 2022, respectively, and is reflected as a component of equity. Changes in the fair value of the underlying securities held in the rabbi trust are recorded as directors' fees with a corresponding increase or decrease in the liability. The unrealized gain recorded for the Directors' Retirement Plan for the year ended December 31, 2023 was $9,000. The unrealized loss recorded for the Directors' Retirement Plan for the year ended December 31, 2022 was $77,000. Expense attributable to contributions made by the Company amounted to $21,000 and $23,000 for the years ended December 31, 2023 and 2022, respectively.

Supplemental Executive Retirement Plan

A Supplemental Executive Retirement Plan was established in 2012, for the benefit of a select group of management or highly compensated employees. This plan is structured as an unfunded arrangement that complies with IRC Section 409A, and allows for annual supplemental contributions to the plan by the Bank. The contributions are deposited into a rabbi trust and are thereby isolated from the Company's working capital. The grantor trust holds and distributes the funds according to the plan and trust documents. The funds held at the rabbi trust are used to purchase the Company's common stock. The fair value of the stock held in the rabbi trust was $19,000 and $354,000 at December 31, 2023 and 2022, respectively, and is reflected on the statement of condition as a liability. The cost of securities purchased and held in the rabbi trust was $19,000 and $335,000 at December 31, 2023 and 2022, respectively, and is reflected as a component of equity. As a result of the death of our former President and Chief Executive Officer, Menzo D. Case, the liability was reduced by $292,000 and equity was reduced by $348,000 due to the liquidation of his account. Changes in the fair value of the underlying securities held in the rabbi trust are recorded as compensation expense with a corresponding increase or decrease in the liability. The unrealized loss recorded for the year ended December 31, 2023 was $75,000. The unrealized loss recorded for the year ended December 31, 2022 was $36,000. The expense attributable to contributions made by the Company was $31,000 for the years ended December 31, 2023 and 2022.

15. Stock-Based Compensation

A summary of the Company's stock option activity and related information for its option plans for the years ended December 31, 2023 and 2022 is as follows:

	Year Ended December 31, 2023	
	Options	Weighted Average Exercise Price Per Share
Outstanding at beginning of quarter	132,977	$ 11.61
Grants	—	—
Exercised	—	—
Outstanding at year end	132,977	$ 11.61
Exercisable at year end	56,147	$ 11.61

	Year Ended December 31, 2022	
	Options	Weighted Average Exercise Price Per Share
Outstanding at beginning of year	—	$ —
Grants	132,977	11.61
Exercised	—	—
Outstanding at year end	132,977	$ 11.61
Exercisable at year end	—	$ —

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 $177,000 and $54,000 for the years ending December 31, 2023 and 2022, respectively, with respect to the options.

An aggregate of 53,191 shares of restricted stock were granted to directors and senior management during the year ending December 31, 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 $240,000 and $74,000 for the years ending December 31, 2023 and 2022, respectively, with respect to the shares of restricted stock.

Pursuant to the restricted stock and stock option agreements, vesting will automatically accelerate in the event of death, disability, retirement, or involuntary termination of service at or following a change in control. As a result of the death of our former President and Chief Executive Officer, Menzo D. Case, the Company recorded additional compensation expense of $91,000 related to the accelerated vesting of his unvested stock options and $123,000 related to the accelerated vesting of his unvested restricted stock.

16. 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 December 31, 2023 and December 31, 2022, 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 December 31, 2023:						
Common Equity Tier 1 Capital	$ 39,288	12.83 %	$ 13,781	4.50 %	$ 19,907	6.50 %
Total Capital (to Risk-Weighted Assets)	$ 42,267	13.80 %	$ 24,500	8.00 %	$ 30,626	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 39,288	12.83 %	$ 18,375	6.00 %	$ 24,500	8.00 %
Tier 1 Capital (to Total Adjusted Assets)	$ 39,288	9.37 %	$ 16,775	4.00 %	$ 20,969	5.00 %
As of December 31, 2022:						
Common Equity Tier 1 Capital	$ 41,127	13.87 %	$ 13,347	4.50 %	$ 19,278	6.50 %
Total Capital (to Risk-Weighted Assets)	$ 43,624	14.71 %	$ 23,727	8.00 %	$ 29,659	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 41,127	13.87 %	$ 17,795	6.00 %	$ 23,727	8.00 %
Tier 1 Capital (to Total Adjusted Assets)	$ 41,127	10.98 %	$ 14,989	4.00 %	$ 18,736	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 December 31, 2023 and 2022, Generations Bank exceeded all regulatory required minimum capital ratios and met the regulatory definition of a "well-capitalized" institution, i.e. Tier 1 Capital (to Total Adjusted Asset) exceeding 5%, a common equity Tier 1 capital ratio exceeding 6.50%, a Tier 1 risk-based capital ratio exceeding 8.00% and a total risk-based capital ratio exceeding 10%.

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

17. Dividends and Restrictions

The Company's ability to pay dividends to its shareholders is largely dependent on the Bank's ability to pay dividends to the Company. In addition to the capital requirements discussed in Note 16, the circumstances under which the Bank may pay dividends are limited by federal statutes, regulations and policies. Generally, the amount of dividends the Bank may pay is equal to its net income for the year plus its net income for the prior two years that are still available for dividends. The amount of retained earnings legally available under these regulations approximated $0 as of December 31, 2023. Dividends paid by the Bank to the Company would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

18. 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 December 31, 2023.

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

(In thousands)	At December 31, 2023	At December 31, 2022
Commitments to grant loans	$ 987	$ 6,400
Unfunded commitments under lines of credit	14,375	14,789

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 December 31, 2023 with fixed interest rates amounted to approximately $11.5 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2023 with variable interest rates amounted to approximately $3.8 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2022 with fixed interest rates amounted to approximately $9.6 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2022 with variable interest rates amounted to approximately $11.6 million. These outstanding loan commitments carry current market rates.

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.

The Company maintains a separate reserve for credit losses on off-balance sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses in the income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Company has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss is reported for off-balance sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement. On January 1, 2023, the Company did not record an adjustment for unfunded commitments for the adoption of ASC Topic 326. For the year ended December 31, 2023, the Company recorded a provision for credit losses for unfunded commitments of $6,000. At December 31, 2023, the liability for credit losses on off-balance sheet credit exposures included in other liabilities was $6,000.

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 $7.1 million at December 31, 2023. 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 December 31, 2023. A portion of the recourse is offset by a "first loss account" to which funds are allocated by the Federal Home Loan Bank of New York annually in January. The balance of the "first loss account" allocated to the Bank is $95,000 at December 31, 2023. 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 credit losses.

Lease Commitments

There are no future minimum lease commitments at December 31, 2023.

19. Concentrations of Credit Risk

The majority of the Company's activities are with customers located in the Finger Lakes Region of New York, but we have now expanded our market footprint to include Orleans County, located Northwest of the Finger Lakes, and diversified our loan portfolio with loans purchased from areas outside of the local region. See notes 4, 5, and 18 to the consolidated financial statements that discuss the types of securities that the Company invests in, the types of lending the Company engages in, and commitments outstanding. The Company does not have any significant concentrations in any one industry or customer. From time to time, the Bank will maintain balances with its correspondent banks that exceed the $250,000 federally insured deposit limits. At December 31, 2023 and 2022, the Company's cash accounts did not materially exceed federally insured limit of $250,000. At December 31, 2023 and 2022, the Company held $8,530,000 and $2,818,000 at the Federal Home Loan Bank and Federal Reserve Bank, which are not subject to FDIC limits. Management routinely evaluates the credit worthiness of these correspondent banks, and does not feel they pose a significant risk to the Company.

20. Related Party Transactions

Certain officers, directors, and their affiliates are engaged in transactions with the Bank in the ordinary course of business. It is the Bank's policy that all related party transactions are conducted at "arm's length" and all loans and commitments included in such transactions are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers.

The following is a summary of the loans made to officers, directors, and their affiliates:

(In thousands)	Year Ended December 31, 2023	Year Ended December 31, 2022
Beginning balance	$ 2,045	$ 2,490
Originations	97	—
Payments and change in status	(1,108)	(445)
Ending balance	$ 1,034	$ 2,045

The aggregate amount of deposits owned by related parties was $4.0 million and $3.6 million at and December 31, 2023 and 2022.

21. 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:

	Year Ended December 31,	
(In thousands)	2023	2022
Service charges on deposit accounts	$ 541	$ 628
Debit card interchange and surcharge income	731	758
Insurance commissions	156	451
Net gain on sale of Generations Agency	312	—
Loan servicing fees	139	189
	$ 1,879	$ 2,026

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. Revenue included in banking fees and service charges on the consolidated statements of operations that was not related to contracts was $15,000 and $13,000 for the years ended December 31, 2023 and 2022, respectively.

Insurance commissions and fees and net gain on sale of Generations Agency: 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. The Agency's book of business was purchased by Northwoods on June 1, 2023.

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 the loan note. Fees are assessed as a percentage of the past-due loan payment amount.

22. Accumulated Other Comprehensive Loss

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

(In thousands)	Year Ended December 31, 2023	2022	Affected Line Item in the Consolidated Statement of Income
Defined benefit pension plan:			
Retirement plan net losses recognized in net periodic pension cost	$ 161	$ —	Compensation and benefits
Tax effect	(34)	—	Income tax benefit (expense)
	$ 127	$ —	Net (loss) income

23. 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 December 31, 2023 and 2022.

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 December 31, 2023 and December 31, 2022.

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

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

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

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

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

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

Collateral-dependent and individually evaluated loans: Individually evaluated loans are those loans in which the Company has measured credit loss 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 individual credit losses.

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.

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 tables present a comparison of the carrying amount and estimated fair value of the Company's financial instruments:

	At December 31, 2023				
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$ 14,525	$ 14,525	$ —	$ —	$ 14,525
Interest-earning time deposits in banks	4,362	—	4,362	—	4,362
Securities available-for-sale	31,302	—	29,827	1,475	31,302
Securities held-to-maturity	1,454	—	1,226	—	1,226
Equity securities	361	361	—	—	361
Loans receivable, net	333,482	—	—	304,655	304,655
FHLB stock	1,588	—	1,588	—	1,588
Accrued interest receivable	1,611	1,611	—	—	1,611
Financial liabilities:					
Deposits	$ 357,606	$ 86,637	$ —	$ 263,760	$ 350,397
Long-term borrowings	23,577	—	23,411	—	23,411
Accrued interest payable	638	638	—	—	638

	At December 31, 2022				
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$ 8,004	$ 8,004	$ —	$ —	$ 8,004
Securities available-for-sale	33,050	—	31,335	1,715	33,050
Securities held-to-maturity	1,587	—	1,301	—	1,301
Equity securities	307	307	—	—	307
Loans receivable, net	303,880	—	—	294,897	294,897
FHLB stock	1,740	—	1,740	—	1,740
Accrued interest receivable	1,304	1,304	—	—	1,304
Financial liabilities:					
Deposits	$ 317,678	$ 92,745	$ —	$ 211,598	$ 304,343
Short-term borrowings	16,200	—	16,311	—	16,311
Long-term borrowings	10,334	—	15,081	—	15,081
Accrued interest payable	162	162	—	—	162

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 December 31, 2023			
(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	$ —	$ 20	$ —	$ 20
Corporate bonds	—	15,047	—	15,047
Municipal bonds	—	14,760	1,475	16,235
Equity investment securities:				
Large cap equity mutual fund	45	—	—	45
Other mutual funds	316	—	—	316
Total investment securities	$ 361	$ 29,827	$ 1,475	$ 31,663

	At December 31, 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	$ —	$ 24	$ —	$ 24
Corporate bonds	—	18,194	—	18,194
Municipal bonds	—	13,117	1,715	14,832
Equity investment securities:				
Large cap equity mutual fund	37	—	—	37
Other mutual funds	270	—	—	270
Total investment securities	$ 307	$ 31,335	$ 1,715	$ 33,357

The changes in Level 3 assets measured at estimated fair value on recurring basis during the years ended December 31, 2023 and 2022 were as follows:

(In thousands)	**Investment Securities**
Balance - December 31, 2022	$ 1,715
Total gains realized/unrealized:	
Included in other comprehensive income	41
Principal payments/maturities	(281)
Balance - December 31, 2023	$ 1,475

(In thousands)	**Investment Securities**
Balance - December 31, 2021	$ 3,010
Total gains realized/unrealized:	
Included in other comprehensive loss	(174)
Purchases	85
Principal payments/maturities	(1,206)
Balance - December 31, 2022	$ 1,715

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:

(In thousands)	At December 31, 2023 Level 1	Level 2	Level 3	Total Fair Value
Collateral-dependent loans	$ —	$ —	$ 36	$ 36
Foreclosed real estate & repossessed assets	—	—	118	118

(In thousands)	At December 31, 2022 Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ —	$ —	$ —	$ —
Foreclosed real estate & repossessed assets	—	—	12	12

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 at December 31, 2023 and 2022:

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

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

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a nonrecurring basis at December 31, 2023 and 2022:

	Quantitative Information about Level 3 Fair Value Measurements Valuation Techniques	Unobservable Input	Range (Weighted Avg.)
Collateral-dependent and impaired loans -	Appraisal of collateral	Appraisal Adjustments	5% - 35% (20)%
One-to four-family residential		Costs to Sell	5% - 15% (10)%
Collateral-dependent and 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)%

Collateral-dependent loans: Collateral-dependent loans carried at fair value have been partially charged-off or receive specific allocations of the allowance for credit losses. The Company evaluates and values collateral-dependent impaired loans at the time the loan is identified as impaired, and the fair values of such loans are estimated using Level 3 inputs in the fair value hierarchy. Each loan's collateral value has a unique appraisal and management's discount of the value is based on the factors unique to each impaired loan. The significant unobservable input in determining the fair value is management's subjective discount on appraisals of the collateral securing the loan. In addition, a discount is typically applied to account for estimated costs to sell. 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. 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 expertise and knowledge of the client and client's business. 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.

24. Parent Company Only Financial Information

The following presents the condensed financial information pertaining only to Generations Bancorp NY, Inc. as of and for the periods ended:

Statements of Condition *(In thousands)*	**At December 31, 2023**	**2022**
Assets		
Cash and cash equivalents	$ 1,321	$ 529
Securities available-for-sale, at fair value	1,042	981
Equity investment securities, at fair value	326	279
Investment in bank subsidiary	35,724	36,257
Other assets	16	61
Total assets	$ 38,429	$ 38,107
Liabilities and Shareholders' Equity		
Deferred tax liability	$ 72	$ 72
Other liabilities	659	707
Shareholders' equity	37,698	37,328
Total liabilities and shareholders' equity	$ 38,429	$ 38,107

Statements of Operations *(In thousands)*	**Year Ended December 31, 2023**	**2022**
Income		
Dividends from securities available-for-sale	$ 89	$ 47
Interest income	28	16
Change in the fair value on equity securities	48	(37)
Total income	**165**	**26**
Expenses		
Interest expense	—	—
Change in the fair value of the Directors Retirement Plan	2	(51)
Total expenses	**2**	**(51)**
Income before taxes and equity in undistributed net (loss) income of bank subsidiary	163	77
Income tax expense	34	14
Income before equity in undistributed net (loss) income of bank subsidiary	129	63
Equity in undistributed net (loss) income of bank subsidiary	(1,696)	1,024
Net (loss) income	**$ (1,567)**	**$ 1,087**

Statements of Cash Flows *(In thousands)*	**Year Ended December 31, 2023**	**2022**
Operating Activities		
Net (loss) income	$ (1,567)	$ 1,087
Equity in undistributed net (loss) income of bank subsidiary	1,696	(1,024)
Change in fair value on equity securities	(48)	37
Net amortization of premiums and discounts on investment securities	(2)	(1)
ESOP Expense	43	51
Stock-based compensation	417	128
Net change in other assets	45	(20)
Net change in other liabilities	(59)	(39)
Net cash provided by operating activities	**525**	**219**
Investing Activities		
Purchase of investment securities available-for-sale	—	(1,090)
Net cash (used in) provided by investing activities	**—**	**(1,090)**
Financing activities		
Effect of stock repurchase plan	(1,074)	(1,872)
Cash dividend from bank subsidiary	1,000	1,250
Purchase of common stock for SERP	(31)	(31)
Purchase of common stock for Directors Retirement Plan	(10)	(13)
Distribution of common stock for SERP	345	—
Distribution of common stock for Directors Retirement Plan	37	—
Net cash (used in) provided by financing activities	**267**	**(666)**
Net change in cash and cash equivalents	792	(1,537)
Cash and cash equivalents at beginning of year	529	2,066
Cash and cash equivalents at end of year	**$ 1,321**	**$ 529**

25. Segment Information

The Company had three primary business segments, its community banking franchise, a limited-purpose commercial bank and its insurance agency, until the sale of the insurance agency's book of business on June 1, 2023. As of December 31, 2023 the Company has two primary business segments, its community banking franchise 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 offered insurance coverage to businesses and individuals in the Finger Lakes Region. The insurance activities consisted of those conducted through the Bank's wholly owned subsidiary, Generations Agency. The primary revenue source was commissions. Pursuant to a Management Agreement, which became effective on April 1, 2022, personnel and office support charges were assumed by Northwoods. The Agency's book of business was purchased by Northwoods on June 1, 2023.

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 table as of and for the years ended:

	Year Ended December 31,							
	2023				2022			
(In thousands)	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total
Net interest income	$ 8,497	$ —	$ 243	$ 8,740	$ 11,103	$ —	$ 267	$ 11,370
Provision for loan losses	933	—	—	933	631	—	—	631
Net interest income after provision for loan losses	7,564	—	243	7,807	10,472	—	267	10,739
Total noninterest income	2,832	149	—	2,981	1,675	442	—	2,117
Compensation and benefits	(6,081)	—	—	(6,081)	(4,786)	(105)	—	(4,891)
Other noninterest expense	(6,608)	(1)	(90)	(6,699)	(6,543)	(39)	(80)	(6,662)
(Loss) Income before income tax (benefit) expense	(2,293)	148	153	(1,992)	818	298	187	1,303
Income tax (benefit) expense	(457)	—	32	(425)	183	—	33	216
Net (loss) income	$ (1,836)	$ 148	$ 121	$ (1,567)	$ 635	$ 298	$ 154	$ 1,087

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

(In thousands)	At December 31, 2023	At December 31, 2022
Total assets for reportable segments	$ 441,146	$ 402,776
Elimination of intercompany balances	(16,650)	(16,483)
Consolidated total assets	$ 424,496	$ 386,293

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

26. Subsequent Events

The Company has evaluated subsequent events through April 1, 2024, which is the date the consolidated financial statements were issued.