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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 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

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**Generations Bancorp NY, Inc.**

(Exact name of registrant as specified in its charter)

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**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)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☒

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

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

2,235,889 shares of the Registrant's common stock, par value \$0.01 per share, were issued and outstanding as of November 7, 2023.

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## PART I. FINANCIAL INFORMATION

### Item 1. Condensed Consolidated Financial Statements

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

<i>(In thousands, except share data)</i>		At September 30, 2023	At December 31, 2022
		<i>(Unaudited)</i>	
<b>ASSETS:</b>			
	\$	3,399	\$ 3,955
Interest earning deposits		2,115	4,049
Total cash and cash equivalents		5,514	8,004
Interest-earning time deposits in banks		2,610	—
Investment securities available-for-sale, at fair value		29,957	33,050
Investment securities held-to-maturity (fair value 2023-\$1,230, 2022-\$1,301)		1,491	1,587
Equity investment securities, at fair value		336	307
Federal Home Loan Bank stock, at cost		1,647	1,740
Loans		331,409	306,377
Less: Allowance for credit losses		(2,752)	(2,497)
		328,657	
Premises and equipment, net		14,335	14,863
-			
Pension plan asset		11,603	10,697
Goodwill		—	792
Accrued interest receivable		1,527	1,304
Total assets	\$	408,730	\$ 386,293
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>			
Noninterest-bearing	\$	53,427	\$ 54,609
-		291,482	263,069
Total deposits		344,909	317,678
-		—	16,200
Long-term borrowings		24,602	10,334
		1,708	2,653
Other liabilities		2,557	2,100
Total liabilities		373,776	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 September 30, 2023 and December 31, 2022, respectively		22	24
Additional paid in capital		22,036	23,002
Retained earnings		21,606	22,512
Accumulated other comprehensive loss		(6,998)	(6,467)
Stock held in rabbi trust		(702)	(698)
Unearned ESOP shares, at cost		(1,010)	(1,045)
Total shareholders' equity		34,954	37,328
Total liabilities and shareholders' equity	\$	408,730	\$ 386,293

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

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

<i>(In thousands, except per share data)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Interest and dividend income:</b>				
Loans, including fees	\$ 3,690	\$ 3,009	\$ 10,493	\$ 8,827
Debt and equity securities:				
Taxable	277	157	756	458
Tax-exempt	99	113	299	336
Interest-earning deposits	66	19	147	73
Other	32	16	97	38
Total interest income	4,164	3,314	11,792	9,732
<b>Interest expense:</b>				
Deposits	1,918	304	4,445	860
Short-term borrowings	81	24	349	24
Long-term borrowings	123	55	193	200
Total interest expense	2,122	383	4,987	1,084
Net interest income	2,042	2,931	6,805	8,648
Provision for loan losses	175	181	505	481
Provision for unfunded commitments	21	—	21	—
Provision for available-for-sale securities	—	—	—	—
Total provision for credit losses	196	181	526	481
Net interest income after provision for credit losses	1,846	2,750	6,279	8,167
<b>Noninterest income:</b>				
Banking fees and service charges	358	386	1,086	1,188
Mortgage banking income, net	6	13	21	37
Insurance commissions	3	77	156	375
Earnings on bank-owned life insurance	30	6	86	59
Change in fair value on equity securities	(8)	(16)	26	(67)
Net gain on sale of Generations Agency	—	—	312	—
Other charges, commissions & fees	43	24	109	81
Total noninterest income	432	490	1,796	1,673
<b>Noninterest expense:</b>				
Compensation and benefits	1,410	1,245	4,156	3,643
Occupancy and equipment	504	510	1,519	1,494
Service charges	530	526	1,453	1,563
Regulatory assessments	80	30	247	156
Professional and other services	170	162	593	544
Advertising	81	107	295	321
Other expenses	317	294	1,030	870
Total noninterest expenses	3,092	2,874	9,293	8,591
(Loss) Income before income tax (benefit) expense	(814)	366	(1,218)	1,249
Income tax (benefit) expense	(171)	66	(257)	208
<b>Net (loss) income</b>	<b>\$ (643)</b>	<b>\$ 300</b>	<b>\$ (961)</b>	<b>\$ 1,041</b>
<b>Net (loss) income available to common shareholders</b>	<b>\$ (643)</b>	<b>\$ 300</b>	<b>\$ (961)</b>	<b>\$ 1,041</b>
<b>Basic and diluted (losses) earnings per common share</b>	<b>\$ (0.30)</b>	<b>\$ 0.13</b>	<b>\$ (0.43)</b>	<b>\$ 0.45</b>

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

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

<i>(In thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net (loss) income</b>	<u>\$ (643)</u>	<u>\$ 300</u>	<u>\$ (961)</u>	<u>\$ 1,041</u>
<b>Other comprehensive loss, before tax:</b>				
Unrealized losses on securities available-for-sale:				
Unrealized holding losses arising during the period	<u>(1,034)</u>	<u>(1,317)</u>	<u>(792)</u>	<u>(6,707)</u>
Net unrealized losses on securities available-for-sale	<u>(1,034)</u>	<u>(1,317)</u>	<u>(792)</u>	<u>(6,707)</u>
Defined benefit pension plan:				
Reclassification of amortization of net losses recognized in net pension expense	<u>39</u>	<u>—</u>	<u>120</u>	<u>—</u>
Net change in defined benefit pension plan asset	<u>39</u>	<u>—</u>	<u>120</u>	<u>—</u>
Other comprehensive loss, before tax	<u>(995)</u>	<u>(1,317)</u>	<u>(672)</u>	<u>(6,707)</u>
Tax effect	<u>209</u>	<u>276</u>	<u>141</u>	<u>1,408</u>
<b>Other comprehensive loss, net of tax</b>	<u>(786)</u>	<u>(1,041)</u>	<u>(531)</u>	<u>(5,299)</u>
<b>Total comprehensive loss</b>	<u>\$ (1,429)</u>	<u>\$ (741)</u>	<u>\$ (1,492)</u>	<u>\$ (4,258)</u>

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

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

<i>(In thousands, except share data)</i>	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stock Held by Rabbi Trust	Unearned ESOP Shares	Total
	\$	\$ 22,662	\$ 22,214		\$	\$	\$ 36,926
Net loss	—	—	(643)	—	—	—	(643)
Effect of stock repurchase plan	(1)	(679)	35	—	—	—	(645)
Distribution of common stock from Directors Retirement Plan	—	—	—	—	37	—	37
	—	(1)	—	—	—	12	11
<b>Balance, September 30, 2023</b>	<u>\$ 22</u>	<u>\$ 22,036</u>	<u>\$ 21,606</u>	<u>\$ (6,998)</u>	<u>\$ (702)</u>	<u>\$ (1,010)</u>	<u>\$ 34,954</u>
	\$	\$ 23,716	\$ 22,276		\$	\$	\$ 39,028
Net income	—	—	300	—	—	—	300
Effect of stock repurchase plan	(1)	(609)	(88)	—	—	—	(698)
ESOP shares committed to be released	—	1	—	—	—	11	12
<b>Balance, September 30, 2022</b>	<u>\$ 24</u>	<u>\$ 23,160</u>	<u>\$ 22,488</u>	<u>\$ (6,265)</u>	<u>\$</u>	<u>\$ (1,056)</u>	<u>\$ 37,653</u>

<i>(In thousands, except share data)</i>	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stock Held by Rabbi Trust	Unearned ESOP Shares	Total
<b>Balance, December 31, 2022</b>	<u>\$ 24</u>	<u>\$ 23,002</u>	<u>\$ 22,512</u>	<u>\$ (6,467)</u>	<u>\$ (698)</u>	<u>\$ (1,045)</u>	<u>\$ 37,328</u>
Net loss	—	—	(961)	—	—	—	(961)
Other comprehensive loss	—	—	—	(531)	—	—	(531)
Effect of stock repurchase plan	(2)	(1,125)	55	—	—	—	(1,072)
Stock-based compensation	—	161	—	—	—	—	161
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
ESOP shares committed to be released	—	(2)	—	—	—	35	33
<b>Balance, September 30, 2023</b>	<u>\$ 22</u>	<u>\$ 22,036</u>	<u>\$ 21,606</u>	<u>\$ (6,998)</u>	<u>\$ (702)</u>	<u>\$ (1,010)</u>	<u>\$ 34,954</u>
<b>Balance, December 31, 2021</b>	<u>\$ 26</u>	<u>\$ 24,494</u>	<u>\$ 21,669</u>	<u>\$ (966)</u>	<u>\$ (654)</u>	<u>\$ (1,090)</u>	<u>\$ 43,479</u>
Net income	—	—	1,041	—	—	—	1,041
Other comprehensive loss	—	—	—	(5,299)	—	—	(5,299)
Effect of stock repurchase plan	(2)	(1,414)	(222)	—	—	—	(1,638)
Stock-based compensation	—	75	—	—	—	—	75
Purchase of common stock for Directors Retirement Plan	—	—	—	—	(13)	—	(13)
Purchase of common stock for SERPs	—	—	—	—	(31)	—	(31)
ESOP shares committed to be released	—	5	—	—	—	34	39
<b>Balance, September 30, 2022</b>	<u>\$ 24</u>	<u>\$ 23,160</u>	<u>\$ 22,488</u>	<u>\$ (6,265)</u>	<u>\$ (698)</u>	<u>\$ (1,056)</u>	<u>\$ 37,653</u>

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

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

<i>(In thousands)</i>	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
	\$	\$
Adjustments to reconcile net income to net cash provided by operating activities:	(961)	1,041
	526	481
Deferred income tax benefit	(311)	(1,011)
Change in fair value on equity securities	(26)	67
Dividend reinvestment in equity securities	(3)	—
	704	704
Amortization of intangible asset	49	48
Amortization of fair value adjustment to purchased loan portfolio	(52)	(52)
ESOP expense	33	39
	161	75
Amortization of deferred loan costs	1,578	1,499
	(86)	(59)
Proceeds from bank-owned life insurance premium	—	511
Change in pension plan assets	(786)	(1,086)
Extinguishment of goodwill	792	—
Net amortization of premiums and discounts on investment securities	47	209
Net change in accrued interest receivable	(223)	33
Net change in other assets and liabilities	(791)	317
<b>Net cash provided by operating activities</b>	<b>651</b>	<b>2,816</b>
Purchase of investment securities available-for-sale	(879)	(2,767)
Net change in interest-earning time deposits in banks	(2,610)	—
Net proceeds from the redemption of (purchase of) Federal Home Loan Bank stock	93	(196)
Proceeds from maturities and principal reductions of:		
Available-for-sale investment securities	3,136	1,202
Held-to-maturity investment securities	94	153
Proceeds from sale of:		
Real estate and repossessed assets acquired	178	27
Premises and equipment	15	—
	(27,200)	(15,528)
Purchase of premises and equipment	(191)	(219)
<b>Net cash used in investing activities</b>	<b>(27,364)</b>	<b>(17,328)</b>
<b>FINANCING ACTIVITIES</b>		
Net change in demand deposits, savings accounts, and money market accounts	(23,858)	(2,531)
Net change in time deposits	51,089	(1,210)
Net change in short-term borrowings	(16,200)	13,600
Payments on long-term borrowings	(3,732)	(7,264)
	18,000	—
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	—
Effect of stock repurchase plan	(1,072)	(1,638)
<b>Net cash provided by financing activities</b>	<b>24,223</b>	<b>913</b>
Net change in cash and cash equivalents	(2,490)	(13,599)
Cash and cash equivalents at beginning of period	8,004	20,997
<b>Cash and cash equivalents at end of period</b>	<b>\$ 5,514</b>	<b>\$ 7,398</b>
<b>Supplemental Cash Flows Information</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ 4,712	\$ 972
Transfer of loans to foreclosed real estate and repossessed assets	371	69

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

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

**1. Nature of Operations**

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

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

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

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

In addition, Generations Agency, Inc. (the “Agency”) offers personal and commercial insurance products through licensed employees in the same market area. The Agency is the Bank’s wholly owned subsidiary. 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 14.

**Interim Financial Statements**

The interim condensed consolidated financial statements as of September 30, 2023, and for the three and nine months ended September 30, 2023 and 2022, are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Such adjustments are the only adjustments contained in these unaudited consolidated financial statements. These unaudited condensed consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission, and therefore certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been omitted. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2023, or any other period.

Certain prior period data presented in the consolidated financial statements has been reclassified to conform to current year presentation. The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto of the Company for the year ended December 31, 2022 included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022. Reference is made to the accounting policies of the Company described in the Notes to Financial Statements contained in the Annual Report on Form 10-K for the year ended December 31, 2022.



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

The Company's significant accounting policies followed in the preparation of the unaudited consolidated financial statements are disclosed in Note 2 of the audited financial statements and notes for the year ended December 31, 2022 and are contained in the Company's Annual Report on Form 10-K. There have been no significant changes to the application of significant accounting policies since December 31, 2022, except for the following:

**Accounting Standards Adopted in 2023**

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 amortized 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.

**Allowance for Credit Losses – Held-to-Maturity Securities**

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 \$2,000 at June 30, 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 at September 30, 2023.

**Allowance for Credit Losses – Available-for-Sale Securities**

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

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

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 September 30, 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 \$304,000 at September 30, 2023 and was excluded from the estimate of credit losses.

## **Loans**

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 September 30, 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 discontinued 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 the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

## **Allowance for Credit Losses - Loans**

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, and residential real estate, commercial lines of credit, direct automobile, indirect automobile, manufactured homes, other consumer, other consumer lines of credit, recreational vehicles, student loans, and residential construction loans. The Company utilizes the advanced vintage, probability of default, and weighted average remaining maturity methods considering relevant information about past events, current conditions, and reasonable and supportable forecasts. The Company utilizes a reasonable and supportable forecast period of 3 – 10 years depending upon 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 include 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 collateral at the reporting date adjusted for selling costs as appropriate.

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**Allowance for Credit Losses – Unfunded Commitments**

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.

**Recently Issued Accounting Pronouncements**

The FASB issued ASU 2023-03, which amends or supersedes various SEC paragraphs within the Codification to conform to past SEC announcements and guidance issued by the SEC. The ASU does not provide any new guidance so there is no transition or effective date associated with it and it was not expected to have any significant impact on the Company's consolidated financial statements for the three and nine months ended September 30, 2023, or subsequent to these consolidated financial statements.

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**2. Accumulated Other Comprehensive Loss**

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

Three Months Ended September 30, (In thousands)	Unrealized Losses on Securities Available-for-Sale	Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
<b>Balance, June 30, 2023</b>	\$ (3,714)	\$ (2,498)	\$ (6,212)
Other comprehensive loss before reclassifications	(817)	—	(817)
Amounts reclassified from AOCI to the statements of loss	—	31	31
Net current-period other comprehensive loss	(817)	31	(786)
<b>Balance, September 30, 2023</b>	<u>\$ (4,531)</u>	<u>\$ (2,467)</u>	<u>\$ (6,998)</u>
<b>Balance, June 30, 2022</b>	\$ (4,043)	\$ (1,181)	\$ (5,224)
Other comprehensive loss before reclassifications	(1,041)	—	(1,041)
Net current-period other comprehensive loss	(1,041)	—	(1,041)
<b>Balance, September 30, 2022</b>	<u>\$ (5,084)</u>	<u>\$ (1,181)</u>	<u>\$ (6,265)</u>

  

Nine Months Ended September 30, (In thousands)	Unrealized (Losses) Gains on Securities Available-for-Sale	Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
<b>Balance, December 31, 2022</b>	\$ (3,905)	\$ (2,562)	\$ (6,467)
Other comprehensive loss before reclassifications	(626)	—	(626)
Amounts reclassified from AOCI to the statements of loss	—	95	95
Net current-period other comprehensive loss	(626)	95	(531)
<b>Balance, September 30, 2023</b>	<u>\$ (4,531)</u>	<u>\$ (2,467)</u>	<u>\$ (6,998)</u>
<b>Balance, December 31, 2021</b>	\$ 215	\$ (1,181)	\$ (966)
Other comprehensive loss before reclassifications	(5,299)	—	(5,299)
Net current-period other comprehensive loss	(5,299)	—	(5,299)
<b>Balance, September 30, 2022</b>	<u>\$ (5,084)</u>	<u>\$ (1,181)</u>	<u>\$ (6,265)</u>

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

<i>(In thousands)</i>	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>		<u>Affected Line Item in the</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>Statement of Income</u>
Defined benefit pension plan:					
Retirement plan net losses recognized in net periodic pension cost	\$ 39	\$ —	\$ 120	\$ —	Compensation and benefits
Tax effect	(8)	—	(25)	—	Income tax (benefit) expense
	<u>\$ 31</u>	<u>\$ —</u>	<u>\$ 95</u>	<u>\$ —</u>	Net (loss) income

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### 3. Earnings Per Common Share

Basic earnings per common share is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as stock options) issued became vested during the period. Based on the calculation, there was no impact on earnings per share as the stock options were considered anti-dilutive for the three and nine months ended September 30, 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 period ended June 30, 2022. The grants to directors and senior management vest over a five-year period in equal annual installments, with the first installment vesting on the first anniversary date of the grant and succeeding installments on each anniversary thereafter, through 2027. 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 tables set forth the calculation of basic and diluted earnings per share.

	Three Months Ended September 30,	
	2023	2022
<i>(In thousands, except per share data)</i>		
Net (loss) income available to common stockholders	\$ (643)	\$ 300
Weighted-average common shares outstanding	2,152	2,299
(Losses) Earnings per common share - basic and diluted	\$ (0.30)	\$ 0.13

  

	Nine Months Ended September 30,	
	2023	2022
<i>(In thousands, except per share data)</i>		
Net (loss) income available to common stockholders	\$ (961)	\$ 1,041
Weighted-average common shares outstanding	2,209	2,327
(Losses) Earnings per common share - basic and diluted	\$ (0.43)	\$ 0.45

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**4. Securities**

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

<i>(in thousands)</i>	At September 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed - US agency and Government Sponsored Enterprise ("GSE")	\$ 21	\$ —	\$ —	\$ 21
Corporate bonds	19,428	6	(2,815)	16,619
State and political subdivisions	16,242	—	(2,925)	13,317
Total securities available-for-sale	<u>\$ 35,691</u>	<u>\$ 6</u>	<u>\$ (5,740)</u>	<u>\$ 29,957</u>
Securities held-to-maturity:				
Structured certificates of deposit	\$ 650	\$ —	\$ (225)	\$ 425
Residential mortgage-backed - US agency and GSEs	841	1	(37)	805
Total securities held-to-maturity	<u>\$ 1,491</u>	<u>\$ 1</u>	<u>\$ (262)</u>	<u>\$ 1,230</u>
Equity securities:				
Large cap equity mutual fund	\$ 44			\$ 44
Other mutual funds	292			292
Total of equity securities	<u>\$ 336</u>			<u>\$ 336</u>

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	At December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in thousands)</i>				
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	<u>\$ 37,992</u>	<u>\$ 60</u>	<u>\$ (5,002)</u>	<u>\$ 33,050</u>
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	<u>\$ 1,587</u>	<u>\$ 1</u>	<u>\$ (287)</u>	<u>\$ 1,301</u>
Equity securities:				
Large cap equity mutual fund	\$ 37			\$ 37
Other mutual funds	270			270
Total of equity securities	<u>\$ 307</u>			<u>\$ 307</u>

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 September 30, 2023					
	12 Months or Less		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in thousands)</i>						
Securities available-for-sale:						
Residential mortgage-backed - US agency and GSEs <sup>1</sup>	\$ 4	\$ —	\$ 17	\$ —	\$ 21	\$ —
Corporate bonds	3,138	(33)	11,274	(2,782)	14,412	(2,815)
State and political subdivisions	1,351	(88)	11,966	(2,837)	13,317	(2,925)
Total securities available-for-sale	<u>\$ 4,493</u>	<u>\$ (121)</u>	<u>\$ 23,257</u>	<u>\$ (5,619)</u>	<u>\$ 27,750</u>	<u>\$ (5,740)</u>
Securities held-to-maturity:						
Structured certificates of deposit	\$ —	\$ —	\$ 425	\$ (225)	\$ 425	\$ (225)
Residential mortgage-backed - US agency and GSEs	58	(3)	721	(34)	779	(37)
Total securities held-to-maturity	<u>\$ 58</u>	<u>\$ (3)</u>	<u>\$ 1,146</u>	<u>\$ (259)</u>	<u>\$ 1,204</u>	<u>\$ (262)</u>

<sup>1</sup> Aggregate unrealized position less than \$1,000.



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	At December 31, 2022					
	12 Months or Less		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in thousands)</i>						
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	<u>\$ 17,358</u>	<u>\$ (2,146)</u>	<u>\$ 12,257</u>	<u>\$ (2,856)</u>	<u>\$ 29,615</u>	<u>\$ (5,002)</u>
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	<u>\$ 691</u>	<u>\$ (26)</u>	<u>\$ 604</u>	<u>\$ (261)</u>	<u>\$ 1,295</u>	<u>\$ (287)</u>

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 high credit quality (rated AA or higher), 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 bond(s) approach maturity.

Sixteen government agency and government sponsored enterprise (“GSE”) residential mortgage-backed security holdings have an unrealized loss as of September 30, 2023. The securities were issued by Federal National Mortgage Association (“FNMA”), Federal Home Loan Mortgage Corporation (“FHLMC”), and the Government National Mortgage Association (“GNMA”). The government-backed securities that have unrealized losses are immaterial, with each of these securities having value deficiencies of \$8,700 or less.

There are 113 bond issues held by the Company that have an unrealized loss as of September 30, 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 interest rates, and as interest rates increase, the bond values decrease. Within this portfolio are seven bonds issued by corporate entities that have an aggregate loss of \$2.2 million. These bonds have variable rates and reprice based upon the spread between intermediate Treasury bond yields and long-term Treasury bond yields and will respond positively with the steepening of the Treasury yield curve. We anticipate full recovery of our investment over time and have no plans to sell the securities in the near term.

Market values of the securities fluctuate in reaction to the uncertainty of the economy. Principal and interest continue to be received on all securities as anticipated. The Company has the ability and intent to hold the securities through maturity or recovery of its amortized cost basis. With the government guarantees in place, management does not expect losses on these securities. No 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 September 30, 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

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\$250,000 insurance limit. Residential mortgage-backed securities totaled \$841,000 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 September 30, 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 mortgage-backed securities generally exceed 20 years; however, the effective average life is expected to be substantially shorter due to anticipated repayments and prepayments.

	At September 30, 2023			
	Securities Available-for-Sale		Securities Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
<i>(in thousands)</i>				
Due in one year or less	\$ 1,221	\$ 1,206	\$ —	\$ —
Due over one year through five years	3,550	3,264	—	—
Due over five through ten years	4,903	3,665	—	—
Due after ten years	25,996	21,801	—	—
	35,670	29,936	—	—
Structured certificates of deposit	—	—	650	425
Residential mortgage-backed securities	21	21	841	805
Total	\$ 35,691	\$ 29,957	\$ 1,491	\$ 1,230

There were no gross realized gains or losses on sales and redemptions of available-for-sale securities for the three and nine months ended September 30, 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 \$11.1 million and \$10.0 million were pledged to collateralize certain deposit arrangements at September 30, 2023 and December 31, 2022, respectively.

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**5. Loans Receivable**

Major classifications of loans are as follows:

<i>(In thousands)</i>	<b>At September 30, 2023</b>	<b>At December 31, 2022</b>
<b>Originated Loans:</b>		
Residential mortgages:		
One- to four-family	\$ 152,633	\$ 129,448
Construction	—	387
	<u>152,633</u>	<u>129,835</u>
Commercial loans:		
Real estate - nonresidential	13,408	15,262
Multi-family	838	854
Commercial business	18,267	11,594
	<u>32,513</u>	<u>27,710</u>
Consumer:		
Home equity and junior liens	12,328	11,027
Manufactured homes	50,314	50,989
Automobile	23,108	24,339
Student	1,624	1,803
Recreational vehicle	23,924	26,909
Other consumer	9,754	7,125
	<u>121,052</u>	<u>122,192</u>
Total originated loans	306,198	279,737
Net deferred loan costs	15,878	16,274
Less allowance for loan losses	<u>(2,752)</u>	<u>(2,497)</u>
<b>Net originated loans</b>	<u><u>\$ 319,324</u></u>	<u><u>\$ 293,514</u></u>

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<i>(In thousands)</i>	At September 30, 2023	At December 31, 2022
<b>Acquired Loans:</b>		
Residential mortgages:		
One- to four-family	\$ 7,773	\$ 8,553
	<u>7,773</u>	<u>8,553</u>
Commercial loans:		
Real estate - nonresidential	1,314	1,419
Commercial business	56	83
	<u>1,370</u>	<u>1,502</u>
Consumer:		
Home equity and junior liens	367	535
Other consumer	38	47
	<u>405</u>	<u>582</u>
Total acquired loans	9,548	10,637
Net deferred loan costs	(49)	(53)
Fair value credit and yield adjustment	(166)	(218)
<b>Net acquired loans</b>	<u>\$ 9,333</u>	<u>\$ 10,366</u>

<i>(In thousands)</i>	At September 30, 2023	At December 31, 2022
<b>Total Loans:</b>		
Residential mortgages:		
One- to four-family	\$ 160,406	\$ 138,001
Construction	—	387
	<u>160,406</u>	<u>138,388</u>
Commercial loans:		
Real estate - nonresidential	14,722	16,681
Multi-family	838	854
Commercial business	18,323	11,677
	<u>33,883</u>	<u>29,212</u>
Consumer:		
Home equity and junior liens	12,695	11,562
Manufactured homes	50,314	50,989
Automobile	23,108	24,339
Student	1,624	1,803
Recreational vehicle	23,924	26,909
Other consumer	9,792	7,172
	<u>121,457</u>	<u>122,774</u>
Total Loans	315,746	290,374
Net deferred loan costs	15,829	16,221
Fair value credit and yield adjustment	(166)	(218)
Less allowance for loan losses	(2,752)	(2,497)
<b>Loans receivable, net</b>	<u>\$ 328,657</u>	<u>\$ 303,880</u>

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The Company originates residential mortgage, commercial, and consumer loans to customers, principally located in the Finger Lakes Region of New York State and extending north to Orleans County. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' abilities to honor their contracts is dependent upon the counties' employment and economic conditions. To further diversify the loan portfolio, the Company also purchases loans that have been originated outside of the region. High quality automobile loans, originated in the Northeastern United States, are purchased regularly from a Connecticut based company. In 2019, the Company also began to purchase modular home loans originated throughout the United States, the seller of which then services the loans for the Company. In 2020, the Company began to purchase automobile and recreational vehicle loans originated in New York State. In 2022, the Company began to purchase one- to four-family, owner-occupied residential real estate loans from a third-party originator. These loans are serviced by the Company and primarily located in Cayuga, Ontario, Orleans, and Seneca counties.

### Loan Origination / Risk Management

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

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

The following table presents the classes of the loan portfolio summarized by the credit quality indicator:

(In thousands)	At September 30, 2023				
	Pass	Special Mention	Substandard	Doubtful	Total
<b>Originated Loans:</b>					
Residential mortgages:					
-	\$ 149,391			—	\$ 152,633
	149,391	725	2,517	—	152,633
Real estate - nonresidential	11,456	1,648	304	—	13,408
-	838	—	—	—	838
Commercial business	15,443	608	2,216	—	18,267
	27,737	2,256	2,520	—	32,513
Consumer:					
Home equity and junior liens	12,176	80	72	—	12,328
Manufactured homes	49,738	172	404	—	50,314
Automobile	22,944	61	103	—	23,108
Student	1,596	4	24	—	1,624
Recreational vehicle	23,348	326	250	—	23,924
Other consumer	9,732	22	—	—	9,754
	119,534	665	853	—	121,052
<b>Total originated loans</b>	<b>\$ 296,662</b>	<b>\$ 3,646</b>	<b>\$ 5,890</b>	<b>\$ —</b>	<b>\$ 306,198</b>

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At September 30, 2023					
<i>(In thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Total
<b>Acquired Loans:</b>					
Residential mortgages:					
One- to four-family	\$ 7,568	\$ 66	\$ 139	\$ —	\$ 7,773
	<u>7,568</u>	<u>66</u>	<u>139</u>	<u>—</u>	<u>7,773</u>
Commercial loans:					
Real estate - nonresidential	1,314	—	—	—	1,314
Commercial business	56	—	—	—	56
	<u>1,370</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,370</u>
Consumer:					
Home equity and junior liens	333	—	34	—	367
Other consumer	38	—	—	—	38
	<u>371</u>	<u>—</u>	<u>34</u>	<u>—</u>	<u>405</u>
			<u>\$ 173</u>	<u>\$ —</u>	<u>\$ 9,548</u>

At September 30, 2023					
<i>(In thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Total
<b>Total Loans:</b>					
Residential mortgages:					
One- to four-family	\$ 156,959	\$ 791	\$ 2,656	\$ —	\$ 160,406
	<u>156,959</u>	<u>791</u>	<u>2,656</u>	<u>—</u>	<u>160,406</u>
Commercial loans:					
Real estate - nonresidential	12,770	1,648	304	—	14,722
Multi-family	838	—	—	—	838
Commercial business	15,499	608	2,216	—	18,323
	<u>29,107</u>	<u>2,256</u>	<u>2,520</u>	<u>—</u>	<u>33,883</u>
Consumer:					
Home equity and junior liens	12,509	80	106	—	12,695
Manufactured homes	49,738	172	404	—	50,314
Automobile	22,944	61	103	—	23,108
Student	1,596	4	24	—	1,624
Recreational vehicle	23,348	326	250	—	23,924
Other consumer	9,770	22	—	—	9,792
	<u>119,905</u>	<u>665</u>	<u>887</u>	<u>—</u>	<u>121,457</u>
<b>Total loans</b>	<u>\$ 305,971</u>	<u>\$ 3,712</u>	<u>\$ 6,063</u>	<u>\$ —</u>	<u>\$ 315,746</u>

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At December 31, 2022					
<i>(In thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Total
<b>Originated Loans:</b>					
Residential mortgages:					
One- to four-family	\$ 125,949	\$ 1,066	\$ 2,433	\$ —	\$ 129,448
Construction	387	—	—	—	387
	<u>126,336</u>	<u>1,066</u>	<u>2,433</u>	<u>—</u>	<u>129,835</u>
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
	<u>22,073</u>	<u>4,220</u>	<u>1,417</u>	<u>—</u>	<u>27,710</u>
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
	<u>120,560</u>	<u>918</u>	<u>714</u>	<u>—</u>	<u>122,192</u>
<b>Total originated loans</b>	<u>\$ 268,969</u>	<u>\$ 6,204</u>	<u>\$ 4,564</u>	<u>\$ —</u>	<u>\$ 279,737</u>

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

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(In thousands)	At December 31, 2022				
	Pass	Special Mention	Substandard	Doubtful	Total
<b>Total Loans:</b>					
Residential mortgages:					
-	\$ 134,284			—	\$ 138,001
Construction	387	—	—	—	387
	134,671	1,111	2,606	—	
Commercial loans:					
-				—	
Multi-family	854	—	—	—	854
	23,575	4,220	1,417	—	29,212
Home equity and junior liens	11,376	14	172	—	11,562
Automobile	24,188	130	21	—	24,339
		—	—	—	
Recreational vehicle	26,445	329	135	—	26,909
		—	—	—	
	121,092	918	764	—	122,774
	<u>\$ 279,338</u>			<u>—</u>	<u>\$ 290,374</u>

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

#### Non-accrual and Past Due Loans

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

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

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



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

<i>(In thousands)</i>	At September 30, 2023					
	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
<b>Originated Loans:</b>						
Residential mortgage loans:						
One- to four-family	\$ 3,962	\$ 780	\$ 2,517	\$ 7,259	\$ 145,374	\$ 152,633
	<u>3,962</u>	<u>780</u>	<u>2,517</u>	<u>7,259</u>	<u>145,374</u>	<u>152,633</u>
Commercial loans:						
Real estate - nonresidential	275	—	29	304	13,104	13,408
Multi-family	386	—	—	386	452	838
Commercial business	117	493	41	651	17,616	18,267
	<u>778</u>	<u>493</u>	<u>70</u>	<u>1,341</u>	<u>31,172</u>	<u>32,513</u>
Consumer loans:						
Home equity and junior liens	179	—	72	251	12,077	12,328
Manufactured homes	386	172	404	962	49,352	50,314
Automobile	268	61	103	432	22,676	23,108
Student	—	4	24	28	1,596	1,624
Recreational vehicle	812	326	250	1,388	22,536	23,924
Other consumer	216	22	—	238	9,516	9,754
	<u>1,861</u>	<u>585</u>	<u>853</u>	<u>3,299</u>	<u>117,753</u>	<u>121,052</u>
<b>Total originated loans</b>	<u>\$ 6,601</u>	<u>\$ 1,858</u>	<u>\$ 3,440</u>	<u>\$ 11,899</u>	<u>\$ 294,299</u>	<u>\$ 306,198</u>

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	At September 30, 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
<b>Acquired Loans:</b>						
Residential mortgage loans:						
One- to four-family	\$ 209	\$ —	\$ 139	\$ 348	\$ 7,425	
	209	—	139	348	7,425	7,773
Real estate - nonresidential	—	—	—	—	1,314	1,314
	—	—	—	—	1,370	1,370
Consumer loans:						
Home equity and junior liens	—	—	34	34	333	367
Other consumer	—	—	—	—	38	38
	—	—	34	34	371	405
<b>Total acquired loans</b>	<b>\$ 209</b>	<b>\$ —</b>	<b>\$ 173</b>	<b>\$ 382</b>	<b>\$ 9,166</b>	<b>\$ 9,548</b>

	At September 30, 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
<b>Total Loans:</b>						
Residential mortgage loans:						
One- to four-family	\$ 4,171	\$ 780	\$ 2,656	\$ 7,607	\$ 152,799	\$ 160,406
	4,171	780	2,656	7,607	152,799	160,406
Commercial loans:						
Real estate - nonresidential	275	—	29	304	14,418	14,722
Multi-family	386	—	—	386	452	838
Commercial business	117	493	41	651	17,672	18,323
	778	493	70	1,341	32,542	33,883
Consumer loans:						
Home equity and junior liens	179	—	106	285	12,410	12,695
Manufactured homes	386	172	404	962	49,352	50,314
Automobile	268	61	103	432	22,676	23,108
Student	—	4	24	28	1,596	1,624
Recreational vehicle	812	326	250	1,388	22,536	23,924
Other consumer	216	22	—	238	9,554	9,792
	1,861	585	887	3,333	118,124	121,457
<b>Total loans</b>	<b>\$ 6,810</b>	<b>\$ 1,858</b>	<b>\$ 3,613</b>	<b>\$ 12,281</b>	<b>\$ 303,465</b>	<b>\$ 315,746</b>

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(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
<b>Originated Loans:</b>						
Residential mortgage loans:						
-					\$ 122,891	\$ 129,448
Construction	—	—	—	—	387	387
	2,967	1,158	2,432	6,557	123,278	
Commercial loans:						
-		—				
Multi-family	—	—	—	—	854	854
	383	—	574	957	26,753	27,710
Home equity and junior liens	193	85	122	400	10,627	11,027
Automobile	402	130	21	553	23,786	24,339
Recreational vehicle	1,005	329	135	1,469	25,440	26,909
	95	122	—	217	6,908	
	2,391	990	714	4,095	118,097	122,192
				\$ 11,609	\$ 268,128	\$ 279,737
(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
<b>Acquired Loans:</b>						
Residential mortgage loans:						
-						
	268	103	173	544	8,009	8,553
Real estate - nonresidential	—	—	—	—	1,419	1,419
	—	—	—	—		
	—	—	—	—	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
<b>Total acquired loans</b>	<b>\$ 276</b>	<b>\$ 103</b>	<b>\$ 223</b>	<b>\$ 602</b>	<b>\$ 10,035</b>	<b>\$ 10,637</b>

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(In thousands)	At December 31, 2022				Total Loans Current	Total Loans Receivable
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due		
<b>Total Loans:</b>						
Residential mortgage loans:						
-					\$ 130,900	\$ 138,001
Construction	—	—	—	—	387	387
	3,235	1,261	2,605	7,101	131,287	
Commercial loans:						
-						
Multi-family	—	—	—	—	854	854
	383	—	574	957	28,255	29,212
Home equity and junior liens	193	85	172	450	11,112	11,562
Automobile	402	130	21	553	23,786	24,339
	—	—	—	—	—	—
Recreational vehicle	1,005	329	135	1,469	25,440	26,909
	103	122	—	225	6,947	7,172
	2,399	990	764	4,153	118,621	122,774
<b>Total loans</b>	<b>\$ 6,017</b>	<b>\$ 2,251</b>	<b>\$ 3,943</b>	<b>\$ 12,211</b>	<b>\$ 278,163</b>	<b>\$ 290,374</b>

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

(In thousands)	At September 30, 2023	At December 31, 2022
Residential mortgage loans:		
One- to four-family	\$ 2,656	\$ 2,605
	2,656	2,605
Commercial loans:		
Real estate - nonresidential	29	416
Commercial business	424	587
	453	1,003
Consumer loans:		
Home equity and junior liens	106	172
Manufactured homes	404	368
Automobile	103	21
Student	24	68
Recreational vehicle	250	135
	887	764
<b>Total non-accrual loans</b>	<b>\$ 3,996</b>	<b>\$ 4,372</b>

There were no loans past due more than ninety days and still accruing interest at September 30, 2023 and December 31, 2022.

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### **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 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 three and nine months ended September 30, 2023.

### **Impaired Loans**

Prior to January 1, 2023, a loan is considered impaired when based on current information and events it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower including the length of the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate or the fair value of the collateral if the loan is collateral-dependent.

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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 loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. 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 of the Company as of September 30, 2023:

<i>(In thousands)</i>	<b>Residential properties</b>	<b>Business assets</b>	<b>Land</b>	<b>Commercial property</b>	<b>Other</b>	<b>Total Loans</b>
One- to four-family	\$ 2,031	\$ —	\$ —	\$ —	\$ —	\$ 2,031
Real estate - nonresidential	29	—	—	—	—	29
Commercial business	—	439	—	—	—	439
Home equity and junior liens	138	—	—	—	—	138
Total loans	<u>\$ 2,198</u>	<u>\$ 439</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,637</u>

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

<i>(In thousands)</i>	<b>Three Months Ended September 30, 2023</b>	
	<b>Average recorded investment</b>	<b>Interest income recognized</b>
One- to four-family residential mortgages	\$ 2,660	\$ 10
Commercial real estate - nonresidential	305	2
Commercial business	2,235	40
Home equity and junior liens	106	1
	<u>\$ 5,306</u>	<u>\$ 53</u>

  

<i>(In thousands)</i>	<b>Nine Months Ended September 30, 2023</b>	
	<b>Average recorded investment</b>	<b>Interest income recognized</b>
One- to four-family residential mortgages	\$ 2,702	\$ 65
Commercial real estate - nonresidential	309	10
Commercial business	2,291	85
Home equity and junior liens	116	3
	<u>\$ 5,418</u>	<u>\$ 163</u>

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The following table summarizes impaired loan information by portfolio class:

(In thousands)	At December 31, 2022		
	Recorded investment	Unpaid principal balance	Related allowance
<b>With no related allowance recorded:</b>			
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	—
<b>Total:</b>			
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:

(In thousands)	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
	January 1, 2023	September 30, 2023	September 30, 2023	September 30, 2023
Residential mortgage loans:				
One- to four-family	\$ 2,605	\$ 2,731	\$ 65	\$ 2,656
Commercial loans:				
Real estate - nonresidential	416	29	10	29
Commercial business	587	424	85	424
Consumer loans:				
Home equity and junior liens	172	105	3	106
Manufactured homes	368	404	—	404
Automobile	21	99	4	103
Student	68	24	—	24
Recreational vehicle	135	184	9	250
	\$ 4,372	\$ 4,000	\$ 176	\$ 3,996

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

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The following tables present the loans to customers as of September 30, 2023 based on year of origination within each credit quality indicator:

	At September 30, 2023						
	2023	2022	2021	2020	2019	Prior	Total
<b>Originated Loans:</b>							
Residential mortgage loans:							
4 Internal grade	\$ 28,893	\$ 41,681	\$ 10,288	\$ 11,449	\$ 11,329	\$ 45,751	\$ 149,391
5 Internal grade	—	—	27	—	—	698	725
6 Internal grade	—	132	—	41	637	1,707	2,517
	<u>\$ 28,893</u>	<u>\$ 41,813</u>	<u>\$ 10,315</u>	<u>\$ 11,490</u>	<u>\$ 11,966</u>	<u>\$ 48,156</u>	<u>\$ 152,633</u>
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (124)	\$ (124)
Current period recoveries	—	—	—	—	—	—	—
Current period net writeoffs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (124)</u>	<u>\$ (124)</u>
Commercial loans:							
2 Internal grade	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 370	\$ 370
3 Internal grade	—	162	600	261	835	5,862	7,720
4 Internal grade	7,444	3,352	689	197	115	7,850	19,647
5 Internal grade	—	—	—	—	2,033	223	2,256
6 Internal grade	—	—	—	—	41	2,479	2,520
	<u>\$ 7,444</u>	<u>\$ 3,514</u>	<u>\$ 1,289</u>	<u>\$ 458</u>	<u>\$ 3,024</u>	<u>\$ 16,784</u>	<u>\$ 32,513</u>
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Current period recoveries	—	—	—	—	—	51	51
Current period net writeoffs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 51</u>	<u>\$ 51</u>
Consumer loans:							
4 Internal grade	\$ 14,124	\$ 24,908	\$ 27,410	\$ 33,176	\$ 9,152	\$ 10,764	\$ 119,534
5 Internal grade	—	122	313	47	22	161	665
6 Internal grade	—	22	486	243	33	69	853
	<u>\$ 14,124</u>	<u>\$ 25,052</u>	<u>\$ 28,209</u>	<u>\$ 33,466</u>	<u>\$ 9,207</u>	<u>\$ 10,994</u>	<u>\$ 121,052</u>
Current period gross writeoffs	\$ —	\$ (27)	\$ (94)	\$ (1)	\$ (2)	\$ (62)	\$ (186)
Current period recoveries	—	—	—	—	2	27	29
Current period net writeoffs	<u>\$ —</u>	<u>\$ (27)</u>	<u>\$ (94)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (35)</u>	<u>\$ (157)</u>



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	At September 30, 2023						
	2023	2022	2021	2020	2019	Prior	Total
<b>Acquired Loans:</b>							
Residential mortgage loans:							
4 Internal grade	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,568	\$ 7,568
5 Internal grade	—	—	—	—	—	66	66
	—	—	—	—	—	139	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,773</u>	<u>\$ 7,773</u>
	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	3	3
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
4 Internal grade	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,370	\$ 1,370
	—	—	—	—	—	—	—
6 Internal grade	—	—	—	—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,370</u>	<u>\$ 1,370</u>
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Current period recoveries	—	—	—	—	—	—	—
Current period net writeoffs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Consumer loans:							
4 Internal grade	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 371	\$ 371
5 Internal grade	—	—	—	—	—	—	—
6 Internal grade	—	—	—	—	—	34	34
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 405</u>	<u>\$ 405</u>
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Current period recoveries	—	—	—	—	—	—	—
Current period net writeoffs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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	At September 30, 2023						
	2023	2022	2021	2020	2019	Prior	Total
<b>Total Loans:</b>							
Residential mortgage loans:							
							\$ 156,959
5 Internal grade	—	—	27	—	—	764	791
6 Internal grade	—	132	—	41	637	1,846	2,656
	<u>\$ 28,893</u>	<u>\$ 41,813</u>	<u>\$ 10,315</u>	<u>\$ 11,490</u>	<u>\$ 11,966</u>	<u>\$ 55,929</u>	<u>\$ 160,406</u>
Current period gross writeoffs	—	—	—	—	—	(147)	(147)
Current period recoveries	—	—	—	—	—	3	3
Current period net writeoffs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(144)</u>	<u>(144)</u>
Commercial loans:							
2 Internal grade	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 370	\$ 370
4 Internal grade	7,444	3,352	689	197	115	9,220	21,017
6 Internal grade	—	—	—	—	41	2,479	2,520
	<u>\$ 7,444</u>	<u>\$ 3,514</u>	<u>\$ 1,289</u>	<u>\$ 458</u>	<u>\$ 3,024</u>	<u>\$ 18,154</u>	<u>\$ —</u>
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Current period net writeoffs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 51</u>	<u>\$ 51</u>
Consumer loans:							
5 Internal grade	—	122	313	47	22	161	665
	—	22	486	243	33	103	—
	<u>\$ 14,124</u>	<u>\$ 25,052</u>	<u>\$ 28,209</u>	<u>\$ 33,466</u>	<u>\$ 9,207</u>	<u>\$ 11,399</u>	<u>\$ 121,457</u>
Current period recoveries	—	—	—	—	2	27	29
	<u>\$ —</u>	<u>\$ (27)</u>	<u>\$ (94)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (35)</u>	<u>\$ (157)</u>

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**6. Allowance for Credit Loss**

The following tables summarize the activity related to the allowance for credit losses for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023					
	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
<i>(In thousands)</i>						
Residential mortgage loans:						
One- to four-family	\$ 1,065	\$ —	\$ 122	\$ (45)	\$ —	\$ 1,142
Construction	—	—	—	—	—	—
Commercial loans:						
Real estate - nonresidential	537	—	15	—	—	552
Multi-family	—	—	—	—	—	—
Commercial business	298	—	(79)	—	—	219
Consumer loans:						
Home equity and junior liens	76	—	34	(13)	—	97
Manufactured homes	—	—	—	—	—	—
Automobile	254	—	37	(62)	16	245
Student	15	—	27	(29)	1	14
Recreational vehicle	150	—	37	(55)	—	132
Other consumer	376	—	(18)	(7)	—	351
	<u>\$ 2,771</u>	<u>\$ —</u>	<u>\$ 175</u>	<u>\$ (211)</u>	<u>\$ 17</u>	<u>\$ 2,752</u>

At September 30, 2023 there was a \$21,000 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.

	Three Months Ended September 30, 2022					
	One- to four-family residential	Construction residential mortgage	Commercial real estate nonresidential	Commercial real estate multi-family	Construction commercial	Commercial business
<i>(In thousands)</i>						
Allowance for loan losses:						
Beginning Balance	\$ 690	\$ —	\$ 516	\$ 2	\$ —	\$ 240
Charge-offs	(1)	—	—	—	—	(2)
Recoveries	2	—	—	—	—	1
Provision (credit) for loan losses	37	1	(48)	—	—	(9)
Ending balance	<u>\$ 728</u>	<u>\$ 1</u>	<u>\$ 468</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 230</u>

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Three Months Ended September 30, 2022 (cont'd)								
(In thousands)	Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
Allowance for loan losses:								
							—	\$ 2,188
Charge-offs	(10)	—	(18)	(29)	—	(1)	—	(61)
	—	—			—		—	18
Provision (credit) for loan losses	19	1	7	25	13	135	—	181
Ending balance	<u>\$ 58</u>	<u>\$ 105</u>	<u>\$ 127</u>	<u>\$ 59</u>	<u>\$ 360</u>	<u>\$ 188</u>	<u>\$ —</u>	<u>\$ 2,326</u>

Nine Months Ended September 30, 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	\$ —	\$ 497	\$ (145)	\$ 3	\$ 1,142	
Construction	2	—	(2)	—	—	—	
Commercial loans:							
Real estate - nonresidential	319	—	233	—	—	552	
Multi-family	4	—	(4)	—	—	—	
Commercial business	248	—	(80)	—	51	219	
Consumer loans:							
Home equity and junior liens	65	—	58	(26)	—	97	
Manufactured homes	110	—	(110)	—	—	—	
Automobile	135	—	147	(62)	25	245	
Student	55	—	(8)	(36)	3	14	
Recreational vehicle	646	—	(459)	(55)	—	132	
Other consumer	126	—	233	(9)	1	351	
	<u>\$ 2,497</u>	<u>\$ —</u>	<u>\$ 505</u>	<u>\$ (333)</u>	<u>\$ 83</u>	<u>\$ 2,752</u>	

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Nine Months Ended September 30, 2022						
(In thousands)	One- to four- family residential	Construction residential mortgage	Real estate nonresidential	Multi-family	Construction commercial	Commercial business
Allowance for loan losses:						
	\$	\$	\$	\$	\$	\$
Charge-offs	(37)	—	—	—	—	(14)
Provision (credit) for loan losses	59	1	(162)	—	—	82
	<u>728</u>	<u>1</u>	<u>468</u>	<u>2</u>	<u>—</u>	
Ending balance: related to loans individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ending balance: related to loans collectively evaluated for impairment	<u>\$ 728</u>	<u>\$ 1</u>		<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 230</u>
Loans receivable:						
	<u>\$ 129,233</u>					
Ending balance: individually evaluated for impairment	<u>\$ 2,565</u>	<u>\$ —</u>	<u>\$ 416</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 162</u>
	<u>\$ 126,668</u>	<u>184</u>		<u>446</u>	<u>—</u>	<u>9,658</u>

Nine Months Ended September 30, 2022 (cont'd)								
(In thousands)	Home equity and junior liens	Manufactured homes	Automobile	Student	Recreational vehicle	Other consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	\$ 39	\$ 102	\$ 107	\$ 64	\$ —	\$ 48	\$ —	\$ 1,841
Charge-offs	(10)	—	(58)	(29)	—	(1)	—	(149)
Recoveries	—	—	128	2	—	4	—	153
Provision (credit) for loan losses	29	3	(50)	22	360	137	—	481
Ending balance	<u>\$ 58</u>	<u>\$ 105</u>	<u>\$ 127</u>	<u>\$ 59</u>	<u>\$ 360</u>	<u>\$ 188</u>	<u>\$ —</u>	<u>\$ 2,326</u>
Ending balance: related to loans individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ending balance: related to loans collectively evaluated for impairment	<u>\$ 58</u>	<u>\$ 105</u>	<u>\$ 127</u>	<u>\$ 59</u>	<u>\$ 360</u>	<u>\$ 188</u>	<u>\$ —</u>	<u>\$ 2,326</u>
Loans receivable:								
Ending balance	<u>\$ 11,234</u>	<u>\$ 49,887</u>	<u>\$ 23,843</u>	<u>\$ 1,921</u>	<u>\$ 27,013</u>	<u>\$ 7,471</u>	<u>\$ —</u>	<u>\$ 278,215</u>
Ending balance: individually evaluated for impairment	<u>\$ 205</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,348</u>
Ending balance: collectively evaluated for impairment	<u>\$ 11,029</u>	<u>\$ 49,887</u>	<u>\$ 23,843</u>	<u>\$ 1,921</u>	<u>\$ 27,013</u>	<u>\$ 7,471</u>	<u>\$ —</u>	<u>\$ 274,867</u>

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	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:						
	\$	\$	\$	\$	\$	\$
Charge-offs	(37)	—	—	—	—	(14)
Provision (credit) for loan losses	118	2	(311)	2	—	99
				4	—	
Ending balance: related to loans individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
collectively evaluated for impairment					—	
Loans receivable:						
	\$ 138,001	\$ 387	\$ 16,681	\$ 854	\$ —	
Ending balance: individually evaluated for impairment	\$ 2,560	\$ —	\$ 701	\$ —	\$ —	\$ 717
	\$ 135,441		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:								
	\$	\$	\$	\$	\$		\$	\$
Charge-offs	(10)	—	(59)	(29)	(1)	(2)	—	(152)
Provision (credit) for loan losses	36	8	(62)	17	646	76	—	631
							—	
Ending balance: related to loans individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	\$ 65	\$ 110	\$ 135	\$ 55	\$ 646	\$ 126	\$ —	\$ 2,497
Loans receivable:							—	
Ending balance: individually evaluated for impairment	\$ 181	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,159
	11,381	50,989	24,339	1,803	26,909	7,172	—	\$ 286,215

The risk characteristics within the loan portfolio vary depending on the loan segment. Consumer loans generally are repaid from personal sources of income. Risks associated with consumer loans primarily include general economic risks such as declines in the local economy creating higher rates of unemployment. Those conditions may also lead to a decline in collateral values should the Company be required to repossess the collateral securing consumer loans.

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These economic risks also impact the commercial loan segment, however, commercial loans are considered to have greater risk than consumer loans as the primary source of repayment is from the cash flow of the business customer. Loans secured by real estate provide the best collateral protection and thus significantly reduce the inherent risk in the portfolio.

## 7. Employee Benefit Plans

The Company provides pension benefits for eligible employees through two defined benefit pension plans (the “Plans”). The following tables set forth the changes in the Plans’ net periodic pension benefit:

<b>Generations Bank Plan:</b> <i>(In thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net periodic expenses recognized in income:</b>				
Service cost	\$ 59	\$ 108	\$ 179	\$ 324
Interest cost	118	102	353	307
Expected return on plan assets	(306)	(383)	(919)	(1,151)
Amortization of net losses	39	—	120	—
Net periodic pension benefit	<u>\$ (90)</u>	<u>\$ (173)</u>	<u>\$ (267)</u>	<u>\$ (520)</u>

  

<b>Medina Savings and Loan Plan:</b> <i>(In thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net periodic expenses recognized in income:</b>				
Service cost	\$ 3	\$ 9	\$ 9	\$ 25
Interest cost	33	28	100	83
Expected return on plan assets	(89)	(116)	(268)	(346)
Net periodic pension benefit	<u>\$ (53)</u>	<u>\$ (79)</u>	<u>\$ (159)</u>	<u>\$ (238)</u>

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**8. Stock-Based Compensation**

A summary of the Company's stock option activity and related information for its option plans for the three and nine months ended September 30, 2023 and 2022 is as follows:

<b>Three Months Ended September 30, 2023</b>			
	Options		Weighted Average Exercise Price Per Share
Outstanding at beginning of quarter	132,977	\$	11.61
Grants	—		—
Exercised	—		—
Outstanding at quarter end	132,977	\$	11.61
Exercisable at quarter end	26,595	\$	11.61
<b>Three Months Ended September 30, 2022</b>			
	Options		Weighted Average Exercise Price Per Share
Outstanding at beginning of year	132,977	\$	11.61
Grants	—		—
Exercised	—		—
Outstanding at quarter end	132,977	\$	11.61
Exercisable at quarter end	—	\$	—
<b>Nine Months Ended September 30, 2023</b>			
	Options		Weighted Average Exercise Price Per Share
Outstanding at beginning of quarter	132,977	\$	11.61
Grants	—		—
Exercised	—		—
Outstanding at quarter end	132,977	\$	11.61
Exercisable at quarter end	26,595	\$	11.61
<b>Nine Months Ended September 30, 2022</b>			
	Options		Weighted Average Exercise Price Per Share
Outstanding at beginning of year	—	\$	—
Grants	132,977		11.61
Exercised	—		—
Outstanding at quarter end	132,977	\$	11.61
Exercisable at quarter end	—	\$	—



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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 \$23,000 and \$68,000 for the three and nine months ended September 30, 2023. The Company recorded compensation expense in the amount of \$21,000 and \$32,000 for the three and nine months ended September 30, 2022.

An aggregate of 53,191 shares of restricted stock were granted to directors and senior management during the year ended 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 \$31,000 and \$93,000 for the three and nine months ended September 30, 2023. The Company recorded compensation expense in the amount of \$31,000 and \$43,000 for the three and nine months ended September 30, 2022.

## **9. Regulatory Capital**

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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

Under applicable regulation, the Bank must hold a 2.50% capital conservation buffer above the adequately capitalized risk-based capital ratios. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of September 30, 2023 and December 31, 2022, the Bank meets all capital adequacy requirements to which it is subject.

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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	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(in thousands)</i>						
<b>As of September 30, 2023:</b>						
Common Equity Tier 1 Capital	\$ 39,887	12.91 %	\$ 13,900	4.50 %	\$ 20,078	6.50 %
Total Capital (to Risk-Weighted Assets)	\$ 42,660	13.81 %	\$ 24,712	8.00 %	\$ 30,890	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 39,887	12.91 %	\$ 18,534	6.00 %	\$ 24,712	8.00 %
Tier 1 Capital (to Total Adjusted Assets)	\$ 39,887	9.85 %	\$ 16,198	4.00 %	\$ 20,247	5.00 %
<b>As of December 31, 2022:</b>						
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 September 30, 2023 and December 31, 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 5.00%, a common equity Tier 1 capital ratio exceeding 6.50%, a Tier 1 risk-based capital ratio exceeding 8.00%, and a total risk-based capital ratio exceeding 10.00%.

By letter dated September 10, 2020, based on its supervisory profile, the Office of the Comptroller of the Currency ("OCC") established higher individual minimum capital ratios for Generations Bank. Specifically, effective September 10, 2020, Generations Bank is required to maintain a leverage ratio of 8.00% and a total capital ratio of 12.00%. The individual minimum capital ratios will remain in effect until terminated, modified, or suspended in writing by the OCC.

## 10. Commitments and Contingencies

### Credit Commitments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit, interest rate, or liquidity risk in excess of the amount recognized in the consolidated statements of financial condition. The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amounts of those instruments. The Bank has experienced minimal credit losses to date on its financial instruments with off-balance sheet risk and management does not anticipate any significant losses on its commitments to extend credit outstanding at September 30, 2023.

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

<i>(In thousands)</i>	At September 30, 2023	At December 31, 2022
Commitments to grant loans	\$ 3,006	\$ 6,400
Unfunded commitments under lines of credit	14,859	14,789

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Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitment amounts are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held varies but may include residential real estate and income-producing commercial properties. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at September 30, 2023 with fixed interest rates amounted to approximately \$15.0 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at September 30, 2023 with variable interest rates amounted to approximately \$2.9 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.

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 estimate 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 three and nine months ended September 30, 2023, the Company recorded a provision for credit losses for unfunded commitments of \$21,000. At September 30, 2023, the liability for credit losses on off-balance sheet credit exposures included in other liabilities was \$21,000.

**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 \$7.5 million at September 30, 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

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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 September 30, 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 was \$94,000 at September 30, 2023. In addition, many of the loans sold under the MPF Program have primary mortgage insurance, which reduces the Bank's overall exposure.

## 11. Revenue from Contracts with Customers

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

The following table presents revenues subject to Topic 606:

<i>(In thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Service charges on deposit accounts	\$ 140	\$ 162	\$ 415	\$ 470
Debit card interchange and surcharge income	183	186	554	568
Insurance commissions	3	77	156	375
Net gain on sale of Generations Agency	—	—	312	—
Loan servicing fees	32	34	106	141
	<u>\$ 358</u>	<u>\$ 459</u>	<u>\$ 1,543</u>	<u>\$ 1,554</u>

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 income that was not related to contracts was \$3,000 and \$4,000 for the three months ended September 30, 2023 and 2022, respectively and \$11,000 and \$9,000 for the nine months ended September 30, 2023 and 2022, respectively.

Insurance commissions: Regular commissions are earned upon the effective date of bound insurance coverage. They are paid by the insurance carrier and recorded by the Company through a monthly remittance which are subject to the Management Agreement with the Northwoods Corporation ("Northwoods") which became effective on April 1, 2022. Contingent commissions are based on a contract but are dependent, not only on the level of policies bound with the carrier, but also on loss claim levels experienced through the last day of the year, volume growth, or shrinkage. The Agency's business is not considered to be significant to the carriers, and many of our insurance carriers are combined under an umbrella with other independent agents, making the contingent commission earned dependent on a

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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.

Gain on sale of Generations Agency's book of business: Pursuant to the sale of Generations Agency's book of business to Northwoods on June 1, 2023, a net gain of \$312,000 was recognized. Although the Company financed the transaction there are no performance obligations owed to Northwoods.

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

## **12. Fair Value Disclosures**

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

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

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

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. There have been no changes in valuation techniques during the periods ended September 30, 2023 and December 31, 2022.

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The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparison between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's assets and liabilities at September 30, 2023 and December 31, 2022.

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

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

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

Municipal bonds: The significant unobservable inputs used in the fair value measurement of the Company's municipal bonds are premiums for unrated securities and marketability discounts. Significant increases (decreases) in either of those inputs in isolation would result in a significantly lower (higher) fair value measurement. In general, changes in either of those inputs will not affect the other input. 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 receivable: The fair values of loans, excluding impaired loans, are estimated using discounted cash flow analyses, using market rates at the statement of financial condition date that reflect the credit and interest rate risk inherent in the loans, resulting in a Level 3 classification. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Future cash flows are then discounted using the Bank's weighted average rate on new loans and thus the resulting fair value represents exit pricing. Generally, for variable rate loans that reprice frequently and with no significant changes in credit risk, fair values are based on carrying values.

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

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

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

At September 30, 2023					
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	\$ 5,514	\$ 5,514	\$ —	\$ —	\$ 5,514
Interest-earning time deposits in banks	2,610	—	2,610	—	2,610
Securities available-for-sale	29,957	—	28,533	1,424	29,957
Securities held-to-maturity	1,491	—	1,230	—	1,230
Equity securities	336	336	—	—	336
Loans receivable, net	328,657	—	—	299,976	299,976
FHLB stock	1,647	—	1,647	—	1,647
Accrued interest receivable	1,527	1,527	—	—	1,527
Financial liabilities:					
Deposits	\$ 344,909	\$ 86,651	\$ —	\$ 247,103	\$ 333,754
Short-term borrowings	—	—	—	—	—
Long-term borrowings	24,602	—	24,385	—	24,385
Accrued interest payable	437	437	—	—	437
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

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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 September 30, 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	\$ —	\$ 21	\$ —	\$ 21	
Corporate bonds	—	16,619	—	16,619	
Municipal bonds	—	11,893	1,424	13,317	
Equity investment securities:					
Large cap equity mutual fund	44	—	—	44	
Other mutual funds	292	—	—	292	
Total investment securities	\$ 336	\$ 28,533	\$ 1,424	\$ 30,293	

	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 a recurring basis during the periods noted:

(In thousands)	Investment Securities
Balance - December 31, 2022	\$ 1,715
Total gains realized/unrealized:	
Included in other comprehensive loss	(20)
Principal payments/maturities	(271)
Balance - September 30, 2023	\$ 1,424

(In thousands)	Investment Securities
Balance - December 31, 2021	\$ 3,010
Total gains realized/unrealized:	
Included in other comprehensive loss	(207)
Purchases	85
Principal payments/maturities	(1,197)
Balance - September 30, 2022	\$ 1,691



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

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

At September 30, 2023				
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Collateral-dependent loans	\$ —	\$ —	\$ —	\$ —
Foreclosed real estate & repossessed assets	—	—	205	205

At December 31, 2022				
(In thousands)	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:

Quantitative Information about Level 3 Fair Value Measurements			
Investment type-	Valuation Techniques	Unobservable Input	Range (Weighted Avg.)
Other Investments	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.

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The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a nonrecurring basis at September 30, 2023 and December 31, 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 historical knowledge, changes in market conditions from the time of the valuations, and management's expertise and knowledge of the client and client's business. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

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

### 13. Segment Information

The Company had three primary business segments, its community banking franchise, its insurance agency, and a limited-purpose commercial bank until the sale of the insurance agency's book of business on June 1, 2023. As of

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September 30, 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 tables as of and for the periods as noted:

	Three Months Ended September 30,							
	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	\$ 1,973	\$ —	\$ 69	\$ 2,042	\$ 2,865	\$ —	\$ 66	\$ 2,931
Provision for loan losses	196	—	—	196	181	—	—	181
Net interest income after provision for loan losses	1,777	—	69	1,846	2,684	—	66	2,750
Total noninterest income	432	—	—	432	414	76	—	490
Compensation and benefits	(1,410)	—	—	(1,410)	(1,245)	—	—	(1,245)
Other noninterest expense	(1,661)	—	(21)	(1,682)	(1,606)	(2)	(21)	(1,629)
(Loss) Income before income tax (benefit) expense	(862)	—	48	(814)	247	74	45	366
Income tax (benefit) expense	(181)	—	10	(171)	58	—	8	66
Net (loss) income	<u>\$ (681)</u>	<u>\$ —</u>	<u>\$ 38</u>	<u>\$ (643)</u>	<u>\$ 189</u>	<u>\$ 74</u>	<u>\$ 37</u>	<u>\$ 300</u>

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	Nine Months Ended September 30,							
	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	\$ 6,658	\$ —	\$ 147	\$ 6,805	\$ 8,457	\$ —	\$ 191	\$ 8,648
Provision for loan losses	526	—	—	526	481	—	—	481
Net interest income after provision for loan losses	6,132	—	147	6,279	7,976	—	191	8,167
Total noninterest income	1,647	149	—	1,796	1,304	369	—	1,673
Compensation and benefits	(4,156)	—	—	(4,156)	(3,538)	(105)	—	(3,643)
Other noninterest expense	(5,074)	(1)	(62)	(5,137)	(4,852)	(35)	(61)	(4,948)
(Loss) Income before income tax (benefit) expense	(1,451)	148	85	(1,218)	890	229	130	1,249
Income tax (benefit) expense	(275)	—	18	(257)	186	—	22	208
Net (loss) income	\$ (1,176)	\$ 148	\$ 67	\$ (961)	\$ 704	\$ 229	\$ 108	\$ 1,041

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

(In thousands)	At September 30, 2023	At December 31, 2022
Total assets for reportable segments	\$ 424,623	\$ 402,776
Elimination of intercompany balances	(15,893)	(16,483)
Consolidated total assets	\$ 408,730	\$ 386,293

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

#### 14. Goodwill

The change in the carrying amount of goodwill for the nine months ended September 30, 2023 is as follows:

(In thousands)	Generations Agency, Inc
Balance as of December 31, 2022	
Goodwill	\$ 792
	792
Goodwill written off related to sale of business unit	(792)
Balance as of September 30, 2023	\$ —

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**15. Subsequent Events**

On October 13, 2023, the Company announced the passing of our President & Chief Executive Officer, Menzo D. Case. Effective October 16, 2023, the Company announced that Angela Krezmer, the Company's Principal Financial Officer, had been appointed to serve as the Company's interim Principal Executive Officer.

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

### **General**

Management's discussion and analysis of the financial condition and results of operations at and for the three and nine months ended September 30, 2023 and 2022 is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto, appearing on Part I, Item 1 of this quarterly report on Form 10-Q.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This quarterly report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and words of similar meaning. These forward-looking statements include, but are not limited to:

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

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

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

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

- our ability to implement and change our business strategies;
- the performance and availability of purchased loans;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, the fair value of financial instruments, or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements, including as a result of Basel III;
- the impact of the Dodd-Frank Act and the implementing regulations;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- the inability of third-party providers to perform as expected, including third-party loan originators;
- our ability to manage market risk, credit risk, and operational risk in the current economic environment;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems, and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in consumer spending, borrowing, and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission, or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations, or future prospects of issuers of securities that we own.

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

## Critical Accounting Policies

There are no material changes to the critical accounting policies disclosed in the Annual Report on Form 10-K for the year ended December 31, 2022 except as noted in Note 1 to this Form 10-Q for the adoption of the CECL accounting standard.

The information for the three and nine months ended September 30, 2023 and 2022 is unaudited, but reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2023 or any other period.

## Emerging Growth Company Status

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

## Comparison of Financial Condition at September 30, 2023 and December 31, 2022

**Total Assets.** Total assets increased \$22.4 million, or 5.8%, to \$408.7 million at September 30, 2023 from \$386.3 million at December 31, 2022. The increase resulted primarily from increases in net loans of \$24.8 million, interest earning time deposits in banks of \$2.6 million, and pension plan assets of \$906,000, partially offset by decreases in investment securities available-for-sale of \$3.1 million, cash and cash equivalents of \$2.5 million, and goodwill of \$792,000.

**Net Loans.** Net loans increased \$24.8 million, or 8.2%, to \$328.7 million at September 30, 2023 from \$303.9 million at December 31, 2022. The increase resulted from increases in one- to four-family residential real estate loans of \$22.4 million, or 16.2%, commercial business loans of \$6.6 million, or 56.9%, other consumer loans of \$2.6 million, or 36.5%, and home equity loans and lines of credit of \$1.1 million, or 9.8%, partially offset by decreases in recreational vehicle loans of \$3.0 million, or 11.1%, nonresidential loans of \$2.0 million, or 11.7%, automobile loans of \$1.2 million, or 5.1%, manufactured home loans of \$675,000, or 1.3%, construction loans of \$387,000, or 100.0%, student loans of \$179,000, or 9.9%, and multi-family loans of \$16,000, or 1.9%.

Net deferred fees decreased \$392,000, or 2.4%, during the nine months ended September 30, 2023, representing primarily fees paid for purchased loans net of amortization, which is over the estimated loan lives.

Consistent with our business strategy, we intend to continue the purchase and origination of residential mortgage, automobile, and manufactured home loans. During the nine months ended September 30, 2023, we purchased \$29.2 million of residential mortgage loans, \$6.6 million of automobile loans, and \$5.2 million of manufactured home loans.

**Interest Earning Time Deposits in Banks.** Interest earning time deposits in banks increased to \$2.6 million at September 30, 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 \$906,000, or 8.5%, to \$11.6 million at September 30, 2023 from \$10.7 million at December 31, 2022. The increase resulted from estimated returns on pension assets of \$1.2 million and employer contributions of \$361,000, partially offset by estimated benefits paid of \$188,000 and interest costs of \$453,000.



**Investment Securities Available-for-Sale.** Investment securities available-for-sale decreased \$3.1 million, or 9.4%, to \$30.0 million at September 30, 2023 from \$33.1 million at December 31, 2022. The decrease in investment securities available-for-sale was primarily attributable to calls and principal repayments of \$3.1 million and a \$792,000 decrease in fair market value, partially offset by purchases of \$879,000.

**Cash and Cash Equivalents.** Cash and cash equivalents decreased \$2.5 million, or 31.1%, to \$5.5 million at September 30, 2023 from \$8.0 million at December 31, 2022 as a result of increased loan originations and an increase in purchases of interest-earning time deposits in banks along with repayments of FHLB advances.

**Goodwill.** Goodwill decreased \$792,000 to \$0 at September 30, 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. Further detail regarding the treatment of goodwill is included in Note 14 of the interim condensed consolidated financial statements.

**Deposits.** Deposits increased \$27.2 million, or 8.6%, to \$344.9 million at September 30, 2023 from \$317.7 million at December 31, 2022. Interest-bearing accounts increased \$28.4 million, or 10.8%, to \$291.5 million at September 30, 2023 from \$263.1 million at December 31, 2022. The largest increase in interest-bearing deposits was in certificates of deposit which increased \$51.1 million, or 48.3%, to \$156.9 million at September 30, 2023 from \$105.8 million at December 31, 2022 as customers shifted funds from lower-yielding accounts into higher-yielding certificate of deposit specials. Savings accounts decreased \$11.3 million, or 12.2%, to \$81.4 million at September 30, 2023 from \$92.6 million at December 31, 2022. Money market accounts decreased \$6.5 million, or 24.5%, to \$20.0 million at September 30, 2023 from \$26.5 million at December 31, 2022. Interest-bearing checking accounts decreased \$4.9 million, or 12.9%, to \$33.2 million at September 30, 2023 from \$38.1 million at December 31, 2022. Noninterest-bearing deposits decreased \$1.2 million, or 2.2%, to \$53.4 million at September 30, 2023 from \$54.6 million at December 31, 2022.

Municipal deposits held at Generations Commercial Bank increased \$1.8 million, or 23.1%, to \$9.4 million at September 30, 2023 from \$7.6 million at December 31, 2022.

**Federal Home Loan Bank Advances.** Short-term Federal Home Loan Bank advances decreased \$16.2 million to \$0 at September 30, 2023 from \$16.2 million at December 31, 2022 as a result of repayments. Long-term Federal Home Loan Bank advances increased \$14.3 million, or 138.1%, to \$24.6 million at September 30, 2023 from \$10.3 million at December 31, 2022 as a result of \$18.0 million in new advances partially offset by repayments of \$3.7 million.

**Total Equity.** Total equity decreased \$2.4 million, or 6.4%, to \$35.0 million at September 30, 2023 from \$37.3 million at December 31, 2022. The decrease was primarily due to a \$1.1 million decrease as a result of stock repurchases, a net loss of \$961,000, and an increase in accumulated other comprehensive loss of \$531,000 as a result of a decrease in the fair market value of our investment securities available-for-sale during the nine months ended September 30, 2023.

### **Comparison of Operating Results for the Three Months Ended September 30, 2023 and 2022**

**General.** Net loss for the three months ended September 30, 2023 was \$643,000 as compared to net income of \$300,000 for the three months ended September 30, 2022, a decrease of \$943,000, or 314.3%. The decrease was due to a \$889,000 decrease in net interest income, a \$218,000 increase in noninterest expense, a \$58,000 decrease in noninterest income, and a \$15,000 increase in provision for credit losses, partially offset by a \$237,000 decrease in income tax expense.

**Interest and Dividend Income.** Interest and dividend income increased \$850,000, or 25.7%, to \$4.2 million for the three months ended September 30, 2023 from \$3.3 million for the three months ended September 30, 2022. This increase was primarily attributable to a \$681,000 increase in interest on loans receivable and a net increase of \$106,000 in interest on investment securities. The average balance of loans increased \$35.7 million, or 12.5%, to \$321.8 million for the three months ended September 30, 2023 from \$286.1 million for the three months ended September 30, 2022. The average yield on loans increased 38 basis points to 4.59% for the three months ended September 30, 2023 from 4.21% for the three months ended September 30, 2022, reflecting an increase in higher-yielding loans quarter over

quarter as well as higher market interest rates. The average balance of investment securities decreased \$1.7 million, or 5.0%, to \$32.9 million for the three months ended September 30, 2023 from \$34.6 million for the three months ended September 30, 2022. The average yield on investment securities increased 145 basis points to 4.57% for the 2023 period from 3.12% for the 2022 period due to rising interest rates and lower premium amortization expense during the three months ended September 30, 2023.

**Interest Expense.** Total interest expense increased \$1.7 million, or 454.1%, to \$2.1 million for the three months ended September 30, 2023 from \$383,000 for the three months ended September 30, 2022. Interest expense on total interest-bearing deposits increased \$1.6 million, or 530.9%, to \$1.9 million for the three months ended September 30, 2023 from \$304,000 for the three months ended September 30, 2022. The increase was attributable to an increase of \$79.0 million, or 107.5%, in the average balance of certificate of deposit accounts to \$152.5 million for the three months ended September 30, 2023 from \$73.5 million for the three months ended September 30, 2022, in addition to an increase in the average cost of 336 basis points to 4.13% for the three months ended September 30, 2023 from 0.77% for the same period in 2022. Interest expense on borrowings increased \$125,000, or 158.2%, to \$204,000 for the three months ended September 30, 2023 from \$79,000 for the three months ended September 30, 2022, as a result of an increase in the average borrowing costs of 181 basis points to 3.89% for the three months ended September 30, 2023 from 2.08% for the three months ended September 30, 2022 due to rising interest rates. The average balance of borrowings increased \$5.8 million, or 38.2%, to \$21.0 million for the three months ended September 30, 2023 from \$15.2 million for the three months ended September 30, 2022.

**Net Interest Income.** Net interest income decreased \$889,000, or 30.3%, to \$2.0 million for the three months ended September 30, 2023 from \$2.9 million for the three months ended September 30, 2022. Our net interest rate spread decreased 162 basis points to 1.87% for the three months ended September 30, 2023 from 3.49% for the three months ended September 30, 2022. Our net interest margin decreased 133 basis points to 2.26% for the three months ended September 30, 2023 from 3.59% for the same period in 2022. Net interest rate spread and net interest margin were affected primarily by the increase in the cost of our interest-bearing liabilities between the comparable periods as these liabilities repriced faster than our interest-earning assets.

**Provision for Credit Losses.** Based on management's analysis of the allowance for credit losses described in Note 6 of our interim consolidated financial statements "Allowance for Credit Losses," we recorded a provision for credit losses of \$196,000 for the three months ended September 30, 2023 as compared to a provision for loan losses of \$181,000 for the three months ended September 30, 2022. The allowance for credit losses was \$2.8 million, or 0.87%, of total loans at September 30, 2023 as compared to \$2.5 million, or 0.86%, of total loans at December 31, 2022. The increase in provision for credit losses for the 2023 period was primarily due to overall growth in the loan portfolio.

**Noninterest Income.** Noninterest income decreased \$58,000, or 11.8%, to \$432,000 for the three months ended September 30, 2023 from \$490,000 for the three months ended September 30, 2022. The decrease was primarily due to decreases in insurance commissions and banking fees and service charges. Insurance commissions decreased \$74,000, or 96.1%, to \$3,000 for the three months ended September 30, 2023 from \$77,000 for the three months ended September 30, 2022 due to the sale of Generations Agency's book of business to Northwoods on June 1, 2023. Banking fees and service charges decreased \$28,000, or 7.3%, to \$358,000 for the three months ended September 30, 2023 from \$386,000 for the three months ended September 30, 2022 due to fewer loan recapture fees and loan prepayment penalties as well as fewer non-sufficient funds fees for the three months ended September 30, 2023 as compared to the same period in 2022.

**Noninterest Expense.** Noninterest expense increased \$218,000, or 7.6%, to \$3.1 million for the three months ended September 30, 2023 from \$2.9 million for the three months ended September 30, 2022 primarily due to increases in compensation and benefits and regulatory assessments, partially offset by a decrease in advertising. Compensation and benefits increased \$165,000, or 13.3%, to \$1.4 million for the three months ended September 30, 2023 from \$1.2 million for the three months ended September 30, 2022 as a result of a decrease in pension expense benefit. Regulatory assessments increased \$50,000, or 166.7%, to \$80,000 for the three months ended September 30, 2023 from \$30,000 for the three months ended September 30, 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. Advertising decreased \$26,000, or 24.3%, to \$81,000 for the three months ended September 30, 2023 from \$107,000 for the three months ended September 30, 2022 as a result of reduced activity in 2023 as compared to the same period in 2022.

**Income Taxes.** Income tax expense decreased \$237,000, or 359.1%, to an income tax benefit of \$171,000 for the three months ended September 30, 2023 as compared to income tax expense of \$66,000 for the three months ended September 30, 2022. The effective tax rate was 21.0% for the three months ended September 30, 2023 as compared to 18.0% for the three months ended September 30, 2022. The statutory tax rate was impacted by the benefits derived from tax-exempt bond income, as well as income received on bank-owned life insurance. The increase in the current quarter's effective tax rate was a result of an increase in permanent tax differences and state tax expense proportional to total income, which was a loss for the three months ended September 30, 2023.

### **Comparison of Operating Results for the Nine Months Ended September 30, 2023 and 2022**

**General.** Net loss for the nine months ended September 30, 2023 was \$961,000 as compared to net income of \$1.0 million for the nine months ended September 30, 2022, a decrease of \$2.0 million, or 192.3%. The decrease was due to a \$1.8 million decrease in net interest income, a \$702,000 increase in noninterest expense, and a \$45,000 increase in provision for credit losses, partially offset by a \$123,000 increase in noninterest income and a \$465,000 decrease in income tax expense.

**Interest and Dividend Income.** Interest and dividend income increased \$2.1 million, or 21.2%, to \$11.8 million for the nine months ended September 30, 2023 from \$9.7 million for the nine months ended September 30, 2022. This increase was primarily attributable to a \$1.7 million increase in interest on loans receivable and a net increase of \$261,000 in interest on investment securities. The average balance of loans increased \$34.3 million, or 12.3%, to \$313.5 million for the nine months ended September 30, 2023 from \$279.2 million for the nine months ended September 30, 2022. The average yield on loans increased 24 basis points to 4.46% for the nine months ended September 30, 2023 from 4.22% for the nine months ended September 30, 2022, reflecting an increase in higher-yielding loans period over period. The average balance of investment securities decreased \$3.1 million, or 8.4%, to \$33.7 million for the nine months ended September 30, 2023 from \$36.8 million for the nine months ended September 30, 2022. The average yield on investment securities increased 129 basis points to 4.17% for the 2023 period from 2.88% for the 2022 period due to rising interest rates and lower premium amortization expense during the nine months ended September 30, 2023.

**Interest Expense.** Total interest expense increased \$3.9 million, or 360.1%, to \$5.0 million for the nine months ended September 30, 2023 from \$1.1 million for the nine months ended September 30, 2022. Interest expense on total interest-bearing deposits increased \$3.6 million, or 416.9%, to \$4.4 million for the nine months ended September 30, 2023 from \$860,000 for the nine months ended September 30, 2022. The increase was attributable to an increase of \$62.3 million, or 82.7%, in the average balance of certificate of deposit accounts to \$137.6 million for the nine months ended September 30, 2023 from \$75.3 million for the nine months ended September 30, 2022, in addition to an increase in the average cost of 298 basis points to 3.65% for the nine months ended September 30, 2023 from 0.67% for the same period in 2022. Interest expense on borrowings increased \$318,000, or 142.0%, to \$542,000 for the nine months ended September 30, 2023 from \$224,000 for the nine months ended September 30, 2022, as a result of an increase in the average borrowing costs of 175 basis points to 3.67% for the nine months ended September 30, 2023 from 1.92% for the nine months ended September 30, 2022 due to rising interest rates. The average balance of borrowings increased \$4.2 million, or 26.9%, to \$19.7 million for the nine months ended September 30, 2023 from \$15.5 million for the nine months ended September 30, 2022.

**Net Interest Income.** Net interest income decreased \$1.8 million, or 21.3%, to \$6.8 million for the nine months ended September 30, 2023 from \$8.6 million for the nine months ended September 30, 2022. Our net interest rate spread decreased 106 basis points to 2.35% for the nine months ended September 30, 2023 from 3.41% for the nine months ended September 30, 2022. Our net interest margin decreased 91 basis points to 2.57% for the nine months ended September 30, 2023 from 3.48% for the same period in 2022. Net interest rate spread and net interest margin were affected primarily by the increase in the cost of our interest-bearing liabilities between the comparable periods.

**Provision for Credit Losses.** Based on management's analysis of the allowance for credit losses described in Note 6 of our interim consolidated financial statements "Allowance for Credit Losses," we recorded a provision for credit losses of \$526,000 for the nine months ended September 30, 2023 as compared to a provision for loan losses of \$481,000 for the nine months ended September 30, 2022. The allowance for credit losses was \$2.8 million, or 0.87%, of total loans at September 30, 2023 as compared to \$2.5 million, or 0.86%, of total loans at December 31, 2022. The increase in provision for credit losses for the 2023 period was primarily due to overall growth in the loan portfolio.

**Noninterest Income.** Noninterest income increased \$123,000, or 7.4%, to \$1.8 million for the nine months ended September 30, 2023 from \$1.7 million for the nine months ended September 30, 2022. The increase was primarily due to a net gain of \$312,000 recognized from the sale of Generations Agency's book of business and an increase in change in fair value on equity securities, partially offset by decreases in insurance commissions and banking fees and service charges. Change in fair value on equity securities increased \$93,000, or 138.8%, to \$26,000 for the nine months ended September 30, 2023 from a loss of \$67,000 for the nine months ended September 30, 2022 due to an increase in the fair market value of our equity securities. Insurance commissions decreased \$219,000, or 58.4%, to \$156,000 for the nine months ended September 30, 2023 from \$375,000 for the nine months ended September 30, 2022 as a result of the Management Agreement with Northwoods whereby Northwoods assumed customer service responsibilities for Generations Agency 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 \$102,000, or 8.6%, to \$1.1 million for the nine months ended September 30, 2023 from \$1.2 million for the nine months ended September 30, 2022 due to fewer loan recapture fees and loan prepayment penalties as well as fewer non-sufficient funds fees for the nine months ended September 30, 2023 as compared to the same period in 2022.

**Noninterest Expense.** Noninterest expense increased \$702,000, or 8.2%, to \$9.3 million for the nine months ended September 30, 2023 from \$8.6 million for the nine months ended September 30, 2022 primarily due to increases in compensation and benefits, other expenses, and regulatory assessments, partially offset by a decrease in service charges. Compensation and benefits increased \$513,000, or 14.1%, to \$4.2 million for the nine months ended September 30, 2023 from \$3.6 million for the nine months ended September 30, 2022 as a result of a decrease in pension expense benefit as well as an increase in equity incentive plan expenses related to stock awards and stock options granted to senior management in June 2022. Other expenses increased \$160,000, or 18.4%, to \$1.0 million for the nine months ended September 30, 2023 from \$870,000 for the nine months ended September 30, 2022 as a result of an increase in other real estate owned expense along with an increase in directors' fees as a result of equity incentive plan expenses related to stock awards and stock options granted to directors in May 2022. Regulatory assessments increased \$91,000, or 58.3%, to \$247,000 for the nine months ended September 30, 2023 from \$156,000 for the nine months ended September 30, 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. Service charges decreased \$110,000, or 7.0%, to \$1.5 million for the nine months ended September 30, 2023 from \$1.6 million for the nine months ended September 30, 2022 as a result of discounts recognized from the renewal of our core processing contract.

**Income Taxes.** Income tax expense decreased \$465,000, or 223.6%, to an income tax benefit of \$257,000 for the nine months ended September 30, 2023 as compared to income tax expense of \$208,000 for the nine months ended September 30, 2022. The effective tax rate was 21.1% for the nine months ended September 30, 2023 as compared to 16.7% for the nine months ended September 30, 2022. The statutory tax rate was impacted by the benefits derived from tax-exempt bond income, as well as income received on bank-owned life insurance. The increase in the current period's effective tax rate was a result of an increase in permanent tax differences and state tax expense proportional to total income, which was a loss for the nine months ended September 30, 2023.

**Average Balances and Yields.** The following tables set forth average balance sheets, average yield and costs, and certain other information at the dates and for the periods indicated. No tax-equivalent yield adjustments have been made. Any adjustments necessary to present yields on a tax-equivalent basis are insignificant. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or interest expense. Net deferred loan costs amortized totaled approximately \$539,000 and \$494,000 for the three months ended September 30, 2023 and 2022, respectively and totaled approximately \$1.6 million and \$1.5 million for the nine months ended September 30, 2023 and 2022, respectively.

	Three Months Ended September 30,					
	2023			2022		
	Average Balance Outstanding	Interest	Yield/ Rate	Average Balance Outstanding	Interest	Yield/ Rate
<b>Interest-earning assets:</b>						
Loans	\$ 321,785	\$ 3,690	4.59 %	\$ 286,057	\$ 3,009	4.21 %
Securities	32,876	376	4.57	34,605	270	3.12
Interest-earning deposits	5,777	66	4.57	4,664	19	1.63
Other	1,489	32	8.60	1,251	16	5.12
Total interest-earning assets	361,927	4,164	4.60	326,577	3,314	4.06
Non-interest-earning assets	40,583			41,869		
Total assets	<u>\$ 402,510</u>			<u>\$ 368,446</u>		
<b>Interest-bearing liabilities:</b>						
Demand deposits	\$ 32,194	\$ 64	0.80 %	\$ 35,572	\$ 17	0.19 %
Money market accounts	20,296	88	1.73	32,119	29	0.36
Savings accounts	84,505	191	0.90	110,610	117	0.42
Certificates of deposit	152,528	1,575	4.13	73,500	141	0.77
Total interest-bearing deposits	289,523	1,918	2.65	251,801	304	0.48
Borrowings	20,954	204	3.89	15,161	79	2.08
Total interest-bearing liabilities	310,477	2,122	2.73	266,962	383	0.57
Other non-interest bearing liabilities	55,908			62,170		
Total liabilities	366,385			329,132		
Equity	36,125			39,314		
Total liabilities and equity	<u>\$ 402,510</u>			<u>\$ 368,446</u>		
Net interest income		<u>\$ 2,042</u>			<u>\$ 2,931</u>	
Interest rate spread			1.87 %			3.49 %
Net interest-earning assets	<u>\$ 51,450</u>			<u>\$ 59,615</u>		
Net interest margin			2.26 %			3.59 %
Average interest-earning assets to average interest-bearing liabilities	116.57 %			122.33 %		

(In thousands)	Nine Months Ended September 30,					
	2023			2022		
	Average Balance Outstanding	Interest	Yield/ Rate	Average Balance Outstanding	Interest	Yield/ Rate
<b>Assets</b>						
Interest-earning assets:						
Loans	\$ 313,488	\$ 10,493	4.46 %	\$ 279,185	\$ 8,827	4.22 %
Securities	33,708	1,055	4.17	36,795	794	2.88
Interest-earning deposits	4,863	147	4.03	13,634	73	0.71
Other	1,431	97	9.04	1,295	38	3.91
Total interest-earning assets	353,490	11,792	4.45	330,909	9,732	3.92
Non-interest-earning assets	40,963			41,775		
Total assets	<u>\$ 394,453</u>			<u>\$ 372,684</u>		
<b>Liabilities and equity</b>						
Interest-bearing liabilities:						
Demand deposits	\$ 47,972	\$ 135	0.38 %	\$ 51,268	\$ 46	0.12 %
Money market accounts	22,629	163	0.96	32,085	85	0.35
Savings accounts	88,451	380	0.57	111,881	349	0.42
Certificates of deposit	137,638	3,767	3.65	75,344	380	0.67
Total interest-bearing deposits	296,690	4,445	2.00	270,578	860	0.42
Borrowings	19,708	542	3.67	15,525	224	1.92
Total interest-bearing liabilities	316,398	4,987	2.10	286,103	1,084	0.51
Other non-interest bearing liabilities	41,142			45,398		
Total liabilities	357,540			331,501		
Equity	36,913			41,183		
Total liabilities and equity	<u>\$ 394,453</u>			<u>\$ 372,684</u>		
Net interest income		<u>\$ 6,805</u>			<u>\$ 8,648</u>	
Interest rate spread			2.35 %			3.41 %
Net interest-earning assets	<u>\$ 37,092</u>			<u>\$ 44,806</u>		
Net interest margin			2.57 %			3.48 %
Average interest-earning assets to average interest-bearing liabilities	111.72 %			115.66 %		

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

(In thousands)	At September 30, 2023	At December 31, 2022
Non-accrual loans:		
Residential:		
One- to four-family	\$ 2,656	\$ 2,605
Commercial:		
Real estate - nonresidential	29	416
Commercial business	424	587
Consumer:		
Home equity and junior liens	106	172
Manufactured homes	404	368
Automobile	103	21
Student	24	68
Recreational vehicle	250	135
Total non-accrual loans	\$ 3,996	\$ 4,372
Real estate owned:		
Residential:		
One- to four-family	\$ 205	\$ 12
Total real estate owned	\$ 205	\$ 12
Total non-performing assets	\$ 4,201	\$ 4,384
Ratios:		
Total non-performing loans to total loans	1.27%	1.51%
Total non-performing loans to total assets	0.98%	1.13%
Total non-performing assets to total assets	1.03%	1.13%

Non-performing assets include non-accrual loans, non-accruing TDRs (prior to January 1, 2023), and foreclosed real estate. The Company generally places a loan on non-accrual status and ceases accruing interest when loan payment performance is deemed unsatisfactory and the loan is past due 90 days or more. At September 30, 2023 there were no loans that were past due 90 days or more and still accruing interest.

As indicated in the table above, non-performing assets were \$4.2 million at September 30, 2023 and \$4.4 million at December 31, 2022. At September 30, 2023, we had 36 non-performing one- to four-family residential mortgage loans for \$2.7 million, two non-performing commercial business loans for \$424,000, three non-performing manufactured home loans for \$404,000, three non-performing recreational vehicle loans for \$250,000, five home equity loans and lines of credit for \$106,000, seven non-performing automobile loans for \$103,000, one non-performing nonresidential loan for \$29,000, and two non-performing student loans for \$24,000. At December 31, 2022, we had 37 non-performing one- to four-family residential mortgage loans for \$2.6 million, two non-performing nonresidential loans for \$416,000, four non-performing commercial business loans for \$587,000, eight home equity loans and lines of credit for \$172,000, three non-performing manufactured home loans for \$368,000, two non-performing automobile loans for \$21,000, six non-performing student loans for \$68,000, and two non-performing recreational vehicle loans for \$135,000. We had three real estate owned properties for \$205,000 at September 30, 2023 and one real estate owned property for \$12,000 at December 31, 2022.

The allowance for credit losses represents management's estimate of losses inherent in the loan portfolio as of the date of the consolidated statement of financial condition. The allowance for credit losses was \$2.8 million at September 30, 2023 and \$2.5 million at December 31, 2022. The Company reported an increase in the ratio of the allowance for credit losses to gross loans to 0.87% at September 30, 2023 as compared to 0.86% at December 31, 2022. Management

performs a quarterly evaluation of the allowance for credit losses based on quantitative and qualitative factors and has determined that the current level of the allowance for credit losses is adequate to absorb the losses in the loan portfolio as of September 30, 2023.

The Company had no loans which were deemed to be impaired at December 31, 2022.

Management has identified potential credit problems totaling \$9.8 million as of September 30, 2023 as compared to \$11.0 million at December 31, 2022 which may result in the borrowers not being able to comply with the current loan repayment terms and which may result in it being included in future impaired loan reporting. These loans have been internally classified as special mention or substandard, yet are not currently considered impaired. The decrease of \$1.2 million was primarily driven by a decrease in commercial business loans classified as special mention as a result of loan upgrades and loan payoffs. Based on current information available at September 30, 2023, these loans were re-evaluated for their range of potential losses and reclassified accordingly.

**Liquidity and Capital Resources.** Liquidity is the ability to meet financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. The Bank's primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, and proceeds from the sale or maturities of securities. In addition, the Bank may borrow from the FHLB. At September 30, 2023, the Bank had \$24.6 million outstanding in advances from the FHLB and had the ability to borrow approximately \$36.3 million based on our collateral capacity. At September 30, 2023, the Bank had an additional \$10.0 million in lines of credit available with other financial institutions and as such no advances received can exceed 50% of the Bank's capital. At September 30, 2023 and December 31, 2022, there were no outstanding advances on these lines.

On March 12, 2023, in response to liquidity concerns in the banking system, the Federal Deposit Insurance Corporation, Federal Reserve Board, and U.S. Department of Treasury, collaboratively approved certain actions with a stated intention to reduce stress across the financial system, support financial stability, and minimize any impact on businesses, households, taxpayers, and the broader economy. Among other actions, the Federal Reserve Board has created a new Bank Term Funding Program ("BTFP") to make additional funding available to eligible depository institutions to help ensure institutions can meet the needs of their depositors. Eligible institutions may obtain liquidity against a wide range of collateral. BTFP advances can be requested through at least March 11, 2024. The Company has not requested funding through the BTFP as of September 30, 2023, but has an established relationship with the Federal Reserve to take advantage of this program.

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

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was \$651,000 for the nine months ended September 30, 2023 and \$2.8 million for the nine months ended September 30, 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 \$27.4 million for the nine months ended September 30, 2023 and \$17.3 million for the nine months ended September 30, 2022. Net cash provided by financing activities, consisting primarily of the activity in deposit accounts and FHLB advances, was \$24.2 million for the nine months ended September 30, 2023 and \$913,000 for the nine months ended September 30, 2022.

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

Generations Bancorp is a separate corporate entity from Generations Bank and it must provide for its own liquidity to pay any dividends to its stockholders, to repurchase any shares of its common stock, and for other corporate purposes. Generations Bancorp's primary source of liquidity is any dividend payments it may receive from Generations Bank.



Generations Bank paid a dividend of \$1.0 million to Generations Bancorp during the nine months ended September 30, 2023. Generations Bank paid a dividend of \$1.3 million to Generations Bancorp for the year ended December 31, 2022. At September 30, 2023, Generations Bancorp (on an unconsolidated, stand-alone basis) had cash and investment securities totaling \$2.0 million.

At September 30, 2023 and December 31, 2022, Generations Bank exceeded all its regulatory capital requirements and was categorized as well capitalized. See Note 9 to the interim condensed consolidated financial statements. Management is unaware of any conditions or events since the most recent notification that would change our category.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

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

### **ITEM 4. Controls and Procedures**

An evaluation was performed under the supervision and with the participation of the Company's management, including the Principal 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 September 30, 2023. Based on that evaluation, the Company's management, including the Principal Executive Officer and the Principal Financial Officer, concluded that the Registrant's disclosure controls and procedures were effective.

During the quarter ended September 30, 2023, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

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

### **ITEM 1A. Risk Factor**

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

**ITEM 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

The following table provides certain information with regard to shares repurchased by the Company in the third quarter of 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased under the Plans or Programs (\$)
July 1 - July 31, 2023	50,657	\$ 9.40	50,657	179,896
August 1 - August 31, 2023	17,293	\$ 9.50	17,293	14,512
September 1 - September 30, 2023	—	\$ —	—	—
Total	<u>67,950</u>	<u>\$ 9.42</u>	<u>67,950</u>	

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. As of August 11, 2022, all 83,300 shares from the Company's first repurchase program had been repurchased. As of March 31, 2023, all 87,000 shares from the Company's second repurchase program had been repurchased. 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. All of the repurchases were made pursuant to a publicly announced plan and were made from time to time depending on market conditions and other factors, and were conducted through open market or private transactions, through block trades, and pursuant to any trading plan that may have been adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission.

**ITEM 3. Defaults Upon Senior Securities**

None.

**ITEM 4. Mine Safety Disclosures**

None.

**ITEM 5. Other Information**

None.

**ITEM 6. Exhibits****Exhibit Index**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101)

## **SIGNATURES**

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

**GENERATIONS BANCORP NY, INC.**

Date: November 8, 2023

/s/ Angela M. Krezmer

Angela M. Krezmer

Principal Executive Officer and Principal Financial Officer