Seneca-Cayuga Bancorp, Inc.

Audited Consolidated Financial Statements

As of and For the Years Ended December 31, 2019 and 2018

Bonadio & Co., LLP
Certified Public Accountants

Independent Auditor's Report

March 30, 2020

To the Board of Directors and Shareholders of
Seneca-Cayuga Bancorp, Inc.:

We have audited the accompanying consolidated financial statements of Seneca-Cayuga Bancorp, Inc. and subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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(Continued)

Opinion

In our opinion, the consolidated financial statements referred above present fairly, in all material respects, the financial position of Seneca-Cayuga Bancorp, Inc. and subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bonadio & Co., LLP

Seneca-Cayuga Bancorp, Inc.
Consolidated Statements of Financial Condition

	December 31,	
(In thousands, except share data)	2019	2018
ASSETS:		
Cash and due from banks	$ 6,685	$ 5,438
Interest earning deposits	6,763	3,697
Total cash and cash equivalents	13,448	9,135
Investment securities available-for-sale, at fair value	30,627	11,726
Investment securities held-to-maturity (fair value 2019-$2,110 and 2018-$2,821)	2,078	2,764
Equity investment securities, at fair value	2,579	10,902
Federal Home Loan Bank stock, at cost	2,267	2,087
Loans	261,280	245,648
Less: Allowance for loan losses	1,660	1,548
Loans receivable, net	259,620	244,100
Premises and equipment, net	17,588	18,489
Bank-owned life insurance	6,893	6,762
Pension plan asset	7,605	6,362
Foreclosed real estate & repossessed assets	70	50
Goodwill and intangible assets, net	1,705	1,760
Accrued interest receivable	1,215	1,046
Other assets	1,472	2,597
Total assets	$ 347,167	$ 317,780
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Deposits:		
Noninterest-bearing	$ 37,039	$ 37,667
Interest-bearing	245,240	221,942
Total deposits	282,279	259,609
Short-term borrowings	-	1,000
Long-term borrowings	31,448	24,569
Subordinated debt	735	735
Advances from borrowers for taxes and insurance	2,712	2,715
Other liabilities	2,145	2,166
Total liabilities	319,319	290,794
Shareholders' equity:		
Common stock, par value $0.01; 9,000,000 shares authorized; 2,551,940 shares issued in 2019 and 2018; 2,467,507 and 2,471,200 shares outstanding in 2019 and 2018	26	26
Additional paid in capital	11,962	11,958
Retained earnings	17,837	17,750
Accumulated other comprehensive loss	(1,311)	(2,060)
Treasury stock, at cost; 84,433 and 80,740 shares in 2019 and 2018	(573)	(532)
Unearned ESOP shares, at cost	(93)	(156)
Total shareholders' equity	27,848	26,986
Total liabilities and shareholders' equity	$ 347,167	$ 317,780

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

Seneca-Cayuga Bancorp, Inc.
Consolidated Statements of Operations

	Years Ended December 31,	
(In thousands, except per share data)	2019	2018
Interest and dividend income:		
Loans, including fees	$ 11,732	$ 10,640
Debt and equity securities:		
Taxable	130	248
Tax-exempt	666	501
Interest earning deposits	102	58
Other	129	168
Total interest income	12,759	11,615
Interest expense:		
Deposits	2,533	1,948
Short-term borrowings	29	87
Long-term borrowings	546	534
Subordinated debt	59	59
Total interest expense	3,167	2,628
Net interest income	9,592	8,987
Provision for loan losses	360	175
Net interest income after provision for loan losses	9,232	8,812
Noninterest income:		
Banking fees and service charges	1,642	1,381
Mortgage banking income, net	84	109
Insurance commissions	804	865
Investment services commissions	284	304
Earnings on bank-owned life insurance	131	127
Unrealized gains (losses) on equity securities	270	(462)
Net gain on sale of available-for-sale securities	274	20
Other charges, commissions & fees	68	216
Total noninterest income	3,557	2,560
Noninterest expense:		
Compensation and benefits	6,137	6,094
Occupancy and equipment	2,122	2,069
Service charges	2,257	1,662
Regulatory assessments	212	250
Professional and other services	479	871
Advertising	388	376
Other expenses	1,262	962
Total noninterest expenses	12,857	12,284
Loss before income taxes	(68)	(912)
Provision for income taxes	(155)	(146)
Net income (loss)	**87**	**(766)**
Net income (loss) available to common shareholders	**$ 87**	**$ (766)**
Earnings (loss) per common share	**$0.04**	**($0.31)**

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

Seneca-Cayuga Bancorp, Inc.
Consolidated Statements of Comprehensive Income (Loss)

(In thousands)	Years Ended December 31, 2019	2018
Net income (loss)	**$ 87**	**$ (766)**
Other comprehensive income (loss), before tax:		
Unrealized gains on securities available-for-sale:		
Unrealized holding gains arising during the period	776	79
Reclassification adjustment for net gains included in net income	(274)	(20)
Net unrealized gains on securities available-for-sale	502	59
Defined benefit pension plan:		
Net gains (losses) arising during the period	255	(352)
Reclassification of amortization of net losses recognized in net pension expense	191	119
Reclassification of amortization of prior service credit recognized in net pension expense	-	(6)
Net change in defined benefit pension plan asset	446	(239)
Other comprehensive income (loss), before tax	948	(180)
Tax effect	(199)	(42)
Other comprehensive income (loss), net of tax	**749**	**(222)**
Total comprehensive income (loss)	**$ 836**	**$ (988)**

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

Seneca-Cayuga Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity

(In thousands, except share data)	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Unearned ESOP Shares	Total
Balance, January 1, 2019	$ 26	$ 11,958	$ 17,750	$ (2,060)	$ (532)	$ (156)	$ 26,986
Net income	-	-	87	-	-	-	87
Other comprehensive income	-	-	-	749	-	-	749
Treasury stock purchase	-	-	-	-	(41)	-	(41)
ESOP shares committed to be released (6,221 shares)	-	4	-	-	-	63	67
Balance, December 31, 2019	$ 26	$ 11,962	$ 17,837	$ (1,311)	$ (573)	$ (93)	$ 27,848
Balance, January 1, 2018	$ 24	$ 9,808	$ 18,896	$ (2,218)	$ (521)	$ (217)	$ 25,772
Net loss	-	-	(766)	-	-	-	(766)
Other comprehensive loss	-	-	-	(222)	-	-	(222)
Reclassification adjustment [(1)]	-	-	(380)	380	-	-	-
Acquisition of Medina Savings & Loan	2	2,141	-	-	-	-	2,143
Treasury stock purchase	-	-	-	-	(11)	-	(11)
ESOP shares committed to be released (6,221 shares)	-	9	-	-	-	61	70
Balance, December 31, 2018	$ 26	$ 11,958	$ 17,750	$ (2,060)	$ (532)	$ (156)	$ 26,986

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

[(1)] Includes reclassification adjustment from accumulated other comprehensive loss to retained earnings to reflect the accounting treatment of the change in market values of equity securities in accordance with the adoption of Accounting Standard Update 2016-01.

Seneca-Cayuga Bancorp, Inc.
Consolidated Statements of Cash Flows

(In thousands)		Years Ended December 31, 2019		2018
OPERATING ACTIVITIES				
Net income (loss)	$	87	$	(766)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Provision for loan losses		360		175
Deferred income tax benefit		(167)		(169)
Realized losses (gains) on sales of:				
Real estate acquired through foreclosure		4		-
Premises and equipment		36		-
Available-for-sale investment securities		(274)		(20)
Unrealized (gains) losses on equity securities		(270)		462
Depreciation		1,080		1,041
Amortization of intangible asset		55		-
Amortization of fair value adjustment to purchased loan portfolio		(57)		-
ESOP expense		67		70
Amortization of deferred loan costs		134		244
Earnings on bank-owned life insurance		(131)		(127)
Change in pension plan assets		(891)		(505)
Net amortization of premiums and discounts on investment securities		53		11
Increase in accrued interest receivable		(169)		(67)
Net change in other assets and liabilities		1,162		(117)
Net cash provided by operating activities		**1,079**		**232**
INVESTING ACTIVITIES				
Bank acquisition, net of cash acquired		-		18,832
Purchase of investment securities available-for-sale		(20,234)		(4,040)
Net proceeds from the (purchase of) redemption of Federal Home Loan Bank stock		(180)		512
Proceeds from maturities and principal reductions of investment securities available-for-sale		1,716		636
Proceeds from maturities and principal reductions of investment securities held-to-maturity		676		1,748
Proceeds from sale of:				
Available-for-sale investment securities		8,944		10,332
Real estate acquired through foreclosure		58		160
Premises and equipment		95		5
Net (increase) decrease in loans		(16,039)		1,381
Purchase of premises and equipment		(310)		(940)
Net cash (used in) provided by investing activities		**(25,274)**		**28,626**
FINANCING ACTIVITIES				
Net decrease in demand deposits, savings accounts, and money market accounts		(1,593)		(4,187)
Net increase in time deposits		29,490		9,334
Net proceeds from the redemption of brokered time deposits		(5,227)		(21,624)
Net repayments of from short-term borrowings		(1,000)		(1,000)
Payments on long-term borrowings		(8,121)		(9,511)
Proceeds from long-term borrowings		15,000		1,000
Treasury stock purchased		(41)		(11)
Net cash provided by (used in) financing activities		**28,508**		**(25,999)**
Increase in cash and cash equivalents		4,313		2,859
Cash and cash equivalents at beginning of period		9,135		6,276
Cash and cash equivalents at end of period	**$**	**13,448**	**$**	**9,135**
CASH PAID DURING THE PERIOD FOR:				
Interest	$	3,154	$	2,634
Income taxes		-		6
NON-CASH INVESTING ACTIVITY				
Transfer of loans to foreclosed real estate		82		72
Issuance of common stock as consideration in business acquisition		-		2,143

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

1. Organization and Nature of Operations

Seneca-Cayuga Bancorp, Inc. (the "Holding Company") is a federally chartered stock holding company and a subsidiary of The Seneca Falls Savings Bank, MHC (the "Mutual Holding Company"), a federally chartered mutual holding company. At December 31, 2019, the Mutual Holding Company owned 1,480,715 shares, or 60.01%, of the Holding Company's outstanding stock, and the remaining Holding Company stock is held by the public or has been repurchased by the Holding Company. The Mutual Holding Company activity is not included in the accompanying consolidated financial statements.

Generations Bank (the "Bank") is a wholly owned subsidiary of the Holding Company. Originally called Seneca Falls Savings Bank, the Bank changed its name in 2012 to improve name and brand recognition. On September 29, 2018, Medina Savings and Loan Association ("MSL"), a mutual savings and loan association owned by its depositors, was merged into the Bank as additional retail offices, expanding our market footprint. All assets and liabilities of MSL were acquired and the consideration given in exchange for this mutual transaction was the issuance of Holding Company stock to our Mutual Holding Company to represent the depositors of MSL. Based on a third party appraised value of MSL, 171,440 shares were issued to the Mutual Holding Company.

Effective December 31, 2018, the Bank officially established Generations Commercial Bank (the "Commercial Bank"), a New York State chartered limited-purpose commercial bank formed expressly to enable local municipalities to deposit public funds with the Bank in accordance with existing NYS municipal law. Although having received regulatory approval and funding the Commercial Bank with $2,500,000 in capital in the year-end December 31, 2018, the Commercial Bank opened for business on January 2, 2019.

The Bank maintains its executive offices and main retail location in Seneca Falls, New York, with retail offices in Waterloo, Geneva, Auburn, Union Springs, Phelps, Farmington, Medina and Albion, 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 1-4 family residential real estate, commercial real estate, business or personal assets and in investment securities. The Bank also offers financial and investments services to its customers through licensed employees.

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.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation and Basis of Presentation

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

Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform to the current year's presentation. Such reclassifications had no impact on net income.

b. Use of Estimates

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

The Company is subject to the regulations of various governmental agencies. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of

required loss allowances, and operating restrictions resulting from the regulators' judgments based on information available to them at the time of their examinations.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash, amounts due from banks, including interest-bearing demand deposits and items in the process of collection.

d. Securities

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

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

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

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

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

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

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

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

e. Federal Home Loan Bank of New York Stock

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

f. Loans Receivable

The Company grants residential mortgage, commercial and consumer loans to customers, principally located in the Finger Lakes Region of New York State and extending north to Orleans County. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at their outstanding unpaid principal balances, less the allowance for loan losses and plus net deferred loan origination costs. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in the market area.

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

The loans receivable portfolio is segmented into residential mortgage, commercial and consumer loans. The residential mortgage segment consists of 1-4 family first-lien residential mortgages and construction loans. Commercial loans consist of the following classes: real estate secured by nonresidential property, real estate secured by multi-family residences, construction and other commercial and industrial loans. Consumer loans include home equity (both installment loans and lines of credit), residential junior-lien loans, manufactured home loans, automobile, student and other consumer loans.

g. Allowance for Loan Losses

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

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

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

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

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

The risk characteristics within the loan portfolio vary depending on the loan segment. Consumer loans generally are repaid from personal sources of income. Risks associated with consumer loans primarily include general economic risks such as declines in the local economy creating higher rates of unemployment. Those conditions may also lead to a decline in collateral values should the Company be required to repossess the collateral securing consumer loans. These economic risks also impact the commercial loan segment, however commercial loans are considered to have greater risk than consumer loans as the primary source of repayment is from the cash flow of the business customer. Real estate loans, including residential mortgages, commercial real estate loans and home equity loans comprise approximately 77% of the portfolio in 2019 and 78% in 2018. Loans secured by real estate provide the best collateral protection and thus significantly reduce the inherent risk in the portfolio.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls 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 reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial loans, by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

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

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

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

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

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

The indirect automobile program loans, and the loans originated under a direct sub-prime automobile program, are evaluated separately from the rest of the consumer loan portfolio. Due to the inherent risk of the program loans, they are evaluated based on the historical losses in the portfolio and discounted collateral values. Since this piece of the portfolio no longer enjoys the participation of the dealers, their continuing reserves and dealer cooperation, there are no longer available cash reserves accumulated as part of the indirect loan assignment agreements with local dealers. The direct sub-prime automobile program was offered to consumers for approximately six months in 2014. The program was discontinued after a detailed analysis revealed that the loan type carried higher risk characteristics than the other automobile portfolios. We have analyzed the historical loss factors to date and have assigned higher reserve factors to these loans to represent the associated risk. Reserves for this loan type are based on the rate of delinquency, the prospect of payment established by collection efforts and discounted collateral values.

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

Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified as special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the

basis of current conditions and facts, is highly improbable. Loans classified as loss are considered uncollectible and are charged to the allowance for loans losses. Loans not classified are rated as pass.

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

j. Income Recognition on Impaired and Non-accrual Loans

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

i. Premises and equipment

Land is carried at cost. Buildings, improvements and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the related assets, which is generally 15 to 40 years for buildings and 3 to 10 years for furniture, equipment, computers and software. Leasehold improvements are amortized over the shorter of the terms of the lease or useful life. Maintenance and repairs are charged to operating expenses as incurred. The asset cost and accumulated depreciation are removed from the accounts for assets sold or retired and any resulting gain or loss is included in the determination of income.

j. Bank-owned life insurance

The Bank invests in bank-owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Bank on a chosen group of employees. The Bank is the owner and beneficiary of the life insurance policies, and as such, the investment is carried at the cash surrender value of the underlying policies. In 2012, the Bank purchased additional BOLI to offset the cost of the director's retirement plan and the addition of a supplemental executive retirement plan. The 2012 purchase of $2 million in additional BOLI on senior management includes a split-dollar arrangement on a portion of the insurance benefit. The policies are carried at the cash surrender value and the liability for the split dollar arrangement is recorded in other liabilities. Income from the increase in cash surrender value of the policies is included in noninterest income on the statements of income.

k. Intangible assets and goodwill

Intangible assets represent acquired assets that lack physical substance, but can be distinguished from goodwill because of contractual or other legal rights. The Company's intangible assets include customer lists and covenants not to compete that were acquired in connection with business acquisitions. On December 28, 2016, the Company purchased the John G. Sweeney Agency, Inc. and the associated covenant not to compete was recorded as an intangible asset. This asset will be amortized over 7 years in accordance with the life identified in the purchase contract.

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

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

Goodwill represents the excess of the cost of an acquisition over the fair value of tangible and identifiable intangible assets acquired in a business combination utilizing purchase accounting. The stock purchase of the John G. Sweeney Agency, Inc. was recorded as goodwill of $792,000. The value of goodwill is tested at least annually for impairment. The MSL merger did not have goodwill and in fact was recorded with a bargain purchase gain of $104,000, which is reported as other noninterest income in 2018.

l. Employee benefit plans

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

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

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

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

m. Foreclosed real estate and repossessed assets

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

(In thousands)	2019	2018
Foreclosed real estate	$ 60	$ 50
Repossessed assets	10	-
	$ 70	$ 50

Write-downs from cost to fair value less estimated selling costs, which are required at the time of foreclosure or repossession, are charged to the allowance for loan losses. Subsequent write-downs to fair value, net of estimated selling costs and the net operating expenses of foreclosed assets, are charged to other noninterest expenses and were approximately $16,000 and $14,000 in 2019 and 2018, respectively.

At December 31, 2019, there were five 1-4 family residential mortgage loans and two related home equity loans in the process of foreclosure for a total of $278,000. At December 31, 2018, there were three 1-4 family residential mortgage loans in the process of foreclosure for a total of $70,000.

n. Advertising

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

o. Income taxes

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

p. Comprehensive income

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

The amounts of income tax (expense) benefit allocated to each component of other comprehensive income are as follows for the years ended December 31:

(In thousands)		2019		2018
Unrealized (gains) losses on securities available-for-sale:				
Unrealized holding gains arising during the period	$	(163)	$	(97)
Reclassification adjustment for net gains included in net income		58		4
Net unrealized gains on securities available-for-sale		(105)		(93)
Defined benefit pension plan:				
Net plan (gains) losses arising during the period		(54)		76
Reclassification of amortization of net losses and prior service credit recognized in net pension expense		(40)		(25)
Net change in defined benefit pension plan asset		(94)		51
	$	(199)	$	(42)

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

(In thousands)		Unrealized (Losses) Gains on Securities Available-for-Sale		Defined Benefit Pension Plan		Accumulated Other Comprehensive Loss
Balance, January 1, 2018	$	(86)	$	(2,132)	$	(2,218)
Other comprehensive gain before reclassifications		(16)		(278)		(294)
Amounts reclassified from AOCI to the income statement		(16)		88		72
Net current-period other comprehensive income (loss) for 2018		(32)		(190)		(222)
Amounts reclassified from AOCI to retained earnings [1]		380		-		380
Balance, December 31, 2018	$	262	$	(2,322)	$	(2,060)
Other comprehensive gain before reclassifications		612		202		814
Amounts reclassified from AOCI to the income statement		(216)		151		(65)
Net current-period other comprehensive income (loss) for 2018		396		353		749
Balance, December 31, 2019	$	658	$	(1,969)	$	(1,311)

[1] Reclassification from accumulated other comprehensive loss to retained earnings for the change in accounting treatment adopted under ASU 2016-01. This amendment requires equity securities to be measured at fair value and the change in fair value to be recognized through net income.

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss for the years ended December 31:

(In thousands)		Amount reclassified from AOCI[2] 2019		2018	Affected Line Item in the Statement of Income
Available-for-sale securities:					
Realized gain on sale of securities	$	274	$	20	Net gain on sale of available-for-sale securities
Tax effect		(58)		(4)	Provision for income taxes
	$	216	$	16	Net income
Defined benefit pension plan:					
Retirement plan net losses recognized in net periodic pension cost	$	(191)	$	(113)	Compensation and benefits
Tax effect		40		25	Provision for income taxes
	$	(151)	$	(88)	Net income (loss)

[2] Amounts in parentheses indicate debits in net income.

q. Net Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. The weighted-average number of common shares outstanding was 2,456,000 and 2,453,000 for 2019 and 2018, respectively. The Company has not granted any restricted stock awards or stock options and had no potentially dilutive common stock equivalents. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for purposes of calculating basic earnings per common share until they are committed to be released.

On May 20, 2008, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 5% of its outstanding shares (excluding shares held by Seneca Falls Savings Bank, MHC, the Company's mutual holding company), or up to 119,025 shares. The timing of the repurchases will depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity requirements and alternative uses of capital. Repurchased shares are held as treasury stock and are available for general corporate purposes. The Company conducts such repurchases in accordance with a Rule 10b5-1 trading plan.

r. Recently Adopted Accounting Pronouncements

On January 1, 2018, the Company adopted Accounting Standard Update ("ASU") 2016-01 amending guidance on "Financial Instruments (Subtopic 825-10)". This amendment addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. These amendments require equity securities to be measured at fair value with changes in the fair value to be recognized through net income. The amendments also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. In 2018, the Company recorded a cumulative-effect adjustment to decrease retained earnings in the amount of $380,000 representing the unrealized gain, net of tax, on these equity securities. Changes in fair value during the years ended December 31, 2019 and 2018 have been recognized in net income.

On January 1, 2018, the Company adopted ASU 2017-07 amending guidance on "Compensation - Retirement Benefits (Topic 715)" to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. ASU 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. Prior to adoption of this update, the Company presented all components of net periodic pension cost in "compensation and benefits expense" on its income statement. The Company is continuing to present all components of net period pension cost in "compensation and benefits expense" for the years ended December 31, 2019 and 2018. Further details regarding the Company's net periodic pension cost are provided in Note 14 to these Consolidated Financial Statements.

On January 1, 2018, the Company adopted ASU 2014-09 amending guidance on "Revenue from Contracts with Customers (Topic 606)". The objective of the ASU is to align the recognition of revenue with the transfer of promised goods or services provided to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. This ASU replaces most existing revenue recognition guidance under GAAP. A significant amount of the Company's revenues are derived from net interest income on financial assets and liabilities, which are excluded from the scope of the amended guidance. With respect to noninterest income, the Company has identified revenue streams within the scope of the guidance, which include service charges on deposits, cardholder fees, investment services fees, Insurance commissions, loan servicing fees and rental income. Further details regarding the revenue recognition of these revenue streams is provided in Note 20 to these Consolidated Financial Statements.

FASB has also issued Accounting Standards Update No. 2016-02, amending guidance on "Leases (Topic 842)". The new guidance establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The objective of this standard is to present a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. The new guidance is effective for fiscal years beginning after December 15,

2018, including interim periods within those fiscal years. The Company was not required to adopt this accounting standard due to the short-term nature and immateriality of our one lease. Further details of the lease commitment are provided in Note 17 to these Consolidated Financial Statements.

3. Balances at Other Banks

The Bank is required to maintain cash balances on hand or with the Federal Reserve Bank. At December 31, 2019 and 2018, these reserve balances amounted to $1,745,000 and $1,089,000, respectively and were held in vault cash on hand and reported as cash and due from banks on the consolidated statements of financial condition.

4. Securities

Investments in securities available-for-sale and held-to-maturity at December 31, 2019 and 2018 are summarized as follows:

	December 31, 2019			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed - US agency and GSEs	$ 48	$ 2	$ -	$ 50
State and political subdivisions	29,746	903	(72)	30,577
Total securities available-for-sale	$ 29,794	$ 905	$ (72)	$ 30,627
Securities held-to-maturity:				
Residential mortgage-backed - US agency and GSEs	$ 2,078	$ 36	$ (4)	$ 2,110
Total securities held-to-maturity	$ 2,078	$ 36	$ (4)	$ 2,110
Equity securities:				
Large cap equity mutual fund	$ 31			$ 31
Other mutual funds	2,548			2,548
Total of equity securities	$ 2,579			$ 2,579

	December 31, 2018			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed - US agency and GSEs	$ 1,440	$ 2	$ (38)	$ 1,404
Residential mortgage-backed - private label	45	261	-	306
State and political subdivisions	9,910	117	(11)	10,016
Total securities available-for-sale	$ 11,395	$ 380	$ (49)	$ 11,726
Securities held-to-maturity:				
Residential mortgage-backed - US agency and GSEs	2,764	62	(5)	2,821
Total securities held-to-maturity	$ 2,764	$ 62	$ (5)	$ 2,821
Equity securities:				
Large cap equity mutual fund	$ 24			$ 24
Other mutual funds	10,878			10,878
Total equity securities	$ 10,902			$ 10,902

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:

	December 31, 2019					
	12 Months or Less		More than 12 Months		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale:						
Residential mortgage-backed - US agency and GSEs*	$ -	$ -	$ 4	$ -	$ 4	$ -
State and political subdivisions	8,779	(72)	-	-	8,779	(72)
Total securities available-for-sale	$ 8,779	$ (72)	$ 4	$ -	$ 8,783	$ (72)
Securities held-to-maturity:						
Residential mortgage-backed - US agency and GSEs	$ 68	$ (1)	$ 217	$ (3)	$ 285	$ (4)
Total securities held-to-maturity	$ 68	$ (1)	$ 217	$ (3)	$ 285	$ (4)

* Gross unrealized losses are less than $1,000.

	December 31, 2018					
	12 Months or Less		More than 12 Months		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale:						
Residential mortgage-backed - US agency and GSEs	$ 7	$ (1)	$ 1,333	$ (37)	$ 1,340	$ (38)
State and political subdivisions	513	(1)	202	(10)	715	(11)
Total securities available-for-sale	$ 520	$ (2)	$ 1,535	$ (47)	$ 2,055	$ (49)
Securities held-to-maturity:						
Residential mortgage-backed - US agency and GSEs	$ -	$ -	$ 314	$ (5)	$ 314	$ (5)
Total securities held-to-maturity	$ -	$ -	$ 314	$ (5)	$ 314	$ (5)

The Company conducts a formal review of investment securities on a quarterly basis for the presence of other-than-temporary impairment ("OTTI"). Management assesses whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the statement of financial condition date. Under these circumstances, OTTI is considered to have occurred (1) if we intend to sell the security; (2) if it is "more likely than not" we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. Credit-related OTTI is recognized in earnings while non-credit-related OTTI on securities not expected to be sold is recognized in other comprehensive income. Non-credit-related OTTI is based on other factors, including illiquidity. Presentation of OTTI is made in the consolidated statement of operations on a gross basis, including both the portion recognized in earnings as well as the portion recorded in other comprehensive income. Normally, the gross OTTI would then be offset by the amount of non-credit-related OTTI, showing the net as the impact on earnings. All OTTI charges have been credit-related to date, and therefore no offset has been presented on the consolidated statements of income.

Nine government agency and government sponsored enterprise (GSE) residential mortgage-backed security holdings have an unrealized loss as of December 31, 2019. The securities were issued by the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and the Government National Mortgage Association (GNMA). All of the nine government-backed securities that have unrealized losses are immaterial, with each of these securities having value deficiencies of $1,800 or less. None of the securities demonstrate a steadily increasing loss ratio and values fluctuate in reaction to the uncertainty of the economy. Principal and interest continue to be received on all securities as anticipated. The Company has the ability and intent to hold the securities through maturity or recovery of its amortized cost basis. With the government guarantees in place, management does not expect losses on these securities. No OTTI is deemed present on these securities.

There were six municipal bonds with an unrealized loss at December 31, 2019. One of the six bonds has a loss in market price that is clearly immaterial, at less than $650. All six of these bonds are new purchases that occurred in November of 2019 and as such, year-end is the first time that they are reported to have unrealized losses. The more significant unrealized losses are all occurring on the municipal bonds issued by Branford, Connecticut. These bonds all met our purchasing criteria, and since they are new to our portfolio, we will continue to monitor their performance in the future. The Company anticipates being paid in full. No OTTI is deemed present on these securities.

One privately issued held-to-maturity mortgage-backed security was determined to have an other-than-temporary impairment and a $408,000 impairment loss was recorded in 2010. This security had been rated below investment grade by the rating agencies and, by the end of 2010; the foreclosure level had significantly increased for the supporting pool of mortgages. As a result of the credit quality deterioration, the full amount of the other-than-temporary impairment was recognized in income and the security was transferred to the available-for-sale portfolio at December 31, 2010. The carrying amount and fair value of the security at the date of transfer was $564,000. The security continued to receive principal and interest payments and during 2019, the carrying amount of the security had been reduced to zero. The security was sold in 2019 for a gain of $251,000.

The following table presents a roll-forward of the amount related to credit losses recognized in earnings for the years ended December 31:

(In thousands)		**2019**		**2018**
Beginning balance – January 1	$	408	$	408
Initial credit impairment		-		-
Subsequent credit impairments		-		-
Reductions for amounts recognized in earnings due to intent or requirement to sell		-		-
Reductions for securities sold		(408)		-
Reductions for increases in cash flows expected to be collected		-		-
Ending balance - December 31	$	-	$	408

The following is a summary of the amortized cost and estimated fair values of debt securities at December 31, 2019, 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.

	Securities Available-for-Sale				**Securities Held-to-Maturity**			
(in thousands)		**Amortized Cost**		**Estimated Fair Value**		**Amortized Cost**		**Estimated Fair Value**
Due in one year or less	$	1,288	$	1,288	$	-	$	-
Due over one year through five years		525		537		-		-
Due over five through ten years		3,509		3,718		-		-
Due after ten years		24,424		25,034		-		-
		29,746		30,577		-		-
Residential mortgage-backed securities		48		50		2,078		2,110
Total	$	29,794	$	30,627	$	2,078	$	2,110

Gross realized gains (losses) on sales and redemptions of securities for the year ended December 31 are detailed below:

(In thousands)	2019	2018
Realized gains	$ 274	$ 21
Realized losses	-	(1)
	$ 274	$ 20

Securities with an amortized cost of $21,295,000 and $9,462,000 were pledged to collateralize certain deposit arrangements as of December 2019 and 2018, respectively.

5. Loans Receivable

Major classifications of loans at December 31, are as follows:

(In thousands)	**2019**	**2018**
Originated Loans		
Residential mortgages:		
1-4 family first-lien	$ 120,208	$ 115,130
Construction	828	327
	121,036	115,457
Commercial loans:		
Real estate - nonresidential	33,581	33,231
Real estate - multi-family	5,585	5,756
Construction	100	606
Other commercial and industrial	14,028	16,835
	53,294	56,428
Consumer:		
Home equity and junior liens	10,170	8,361
Manufactured homes	23,769	18,965
Automobile	21,083	14,068
Student	2,251	1,674
Other consumer	1,987	1,251
	59,260	44,319
Total originated loans	233,590	216,204
Net deferred loan costs	4,986	3,131
Less allowance for loan losses	(1,660)	(1,548)
Net originated loans	$ 236,916	$ 217,787

(In thousands)	2019	2018
Acquired Loans		
Residential mortgages:		
1-4 family first-lien	$ 18,506	$ 20,719
Construction	-	603
	18,506	21,322
Commercial loans:		
Real estate - nonresidential	2,115	2,243
Other commercial and industrial	404	499
	2,519	2,742
Consumer:		
Home equity and junior liens	1,833	2,235
Other consumer	361	596
	2,194	2,831
Total acquired loans	23,219	26,895
Net deferred loan costs	(91)	(100)
Fair value credit and yield adjustment	(424)	(482)
Net acquired loans	$ 22,704	$ 26,313

(In thousands)	2019	2018
Total Loans		
Residential mortgages:		
1-4 family first-lien	$ 138,714	$ 135,849
Construction	828	930
	139,542	136,779
Commercial loans:		
Real estate - nonresidential	35,696	35,474
Real estate - multi-family	5,585	5,756
Construction	100	606
Other commercial and industrial	14,432	17,334
	55,813	59,170
Consumer:		
Home equity and junior liens	12,003	10,596
Manufactured homes	23,769	18,965
Automobile	21,083	14,068
Student	2,251	1,674
Other consumer	2,348	1,847
	61,454	47,150
Total Loans	256,809	243,099
Net deferred loan costs	4,895	3,031
Fair value credit and yield adjustment	(424)	(482)
Less allowance for loan losses	(1,660)	(1,548)
Loans receivable, net	$ 259,620	$ 244,100

The Company grants residential mortgage, commercial and consumer loans to customers throughout the Finger Lakes region of New York State, which includes parts of Cayuga, Seneca, Wayne, Yates and Ontario counties as well as Orleans County as a result of the 2018 merger. 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 Northeastern United States, are purchased regularly from BCI Financial Corporation, a Connecticut Company. In

2019, the Company also began to purchase modular home loans originated throughout the United States from Triad Financial Services, Inc., who then services the loans for the Company.

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

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

The following table presents the classes of the loan portfolio summarized by the pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of December 31:

2019

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Originated Loans					
Residential mortgages:					
1-4 family first-lien	$ 116,414	$ 2,159	$ 1,635	$ -	$ 120,208
Construction	828	-	-	-	828
	117,242	2,159	1,635	-	121,036
Commercial loans:					
Real estate - nonresidential	29,192	1,479	2,910	-	33,581
Real estate - multi-family	5,585	-	-	-	5,585
Construction	100	-	-	-	100
Other commercial and industrial	10,222	1,798	2,008	-	14,028
	45,099	3,277	4,918	-	53,294
Consumer:					
Home equity and junior liens	10,030	96	44	-	10,170
Manufactured homes	23,686	83	-	-	23,769
Automobile	20,975	54	54	-	21,083
Student	2,251	-	-	-	2,251
Other consumer	1,984	2	1	-	1,987
	58,926	235	99	-	59,260
Total originated loans	$ 221,267	$ 5,671	$ 6,652	$ -	$ 233,590

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Acquired Loans					
Residential mortgages:					
1-4 family first-lien	$ 17,387	$ 805	$ 314	$ -	$ 18,506
	17,387	805	314	-	18,506
Commercial loans:					
Real estate - nonresidential	2,115	-	-	-	2,115
Other commercial and industrial	404	-	-	-	404
	2,519	-	-	-	2,519
Consumer:					
Home equity and junior liens	1,746	-	87	-	1,833
Other consumer	361	-	-	-	361
	2,107	-	87	-	2,194
Total acquired loans	$ 22,013	$ 805	$ 401	$ -	$ 23,219

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Total Loans					
Residential mortgages:					
1-4 family first-lien	$ 133,801	$ 2,964	$ 1,949	$ -	$ 138,714
Construction	828	-	-	-	828
	134,629	2,964	1,949	-	139,542
Commercial loans:					
Real estate - nonresidential	31,307	1,479	2,910	-	35,696
Real estate - multi-family	5,585	-	-	-	5,585
Construction	100	-	-	-	100
Other commercial and industrial	10,626	1,798	2,008	-	14,432
	47,618	3,277	4,918	-	55,813
Consumer:					
Home equity and junior liens	11,776	96	131	-	12,003
Manufactured homes	23,686	83	-	-	23,769
Automobile	20,975	54	54	-	21,083
Student	2,251	-	-	-	2,251
Other consumer	2,345	2	1	-	2,348
	61,033	235	186	-	61,454
Total loans	$ 243,280	$ 6,476	$ 7,053	$ -	$ 256,809

2018

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Originated Loans					
Residential mortgages:					
1-4 family first-lien	$ 112,915	$ 1,019	$ 1,196	$ -	$ 115,130
Construction	327	-	-	-	327
	113,242	1,019	1,196	-	115,457
Commercial loans:					
Real estate - nonresidential	26,211	3,005	4,015	-	33,231
Real estate - multi-family	5,756	-	-	-	5,756
Construction	606	-	-	-	606
Other commercial and industrial	13,200	1,006	2,629	-	16,835
	45,773	4,011	6,644	-	56,428
Consumer:					
Home equity and junior liens	8,291	33	37	-	8,361
Manufactured homes	18,742	223	-	-	18,965
Automobile	13,883	121	64	-	14,068
Student	1,674	-	-	-	1,674
Other consumer	1,196	55	-	-	1,251
	43,786	432	101	-	44,319
Total originated loans	$ 202,801	$ 5,462	$ 7,941	$ -	$ 216,204

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Acquired Loans					
Residential mortgages:					
1-4 family first-lien	$ 20,438	$ 49	$ 232	$ -	$ 20,719
Construction	603	-	-	-	603
	21,041	49	232	-	21,322
Commercial loans:					
Real estate - nonresidential	2,243	-	-	-	2,243
Other commercial and industrial	499	-	-	-	499
	2,742	-	-	-	2,742
Consumer:					
Home equity and junior liens	2,148	-	87	-	2,235
Other consumer	560	12	24	-	596
	2,708	12	111	-	2,831
Total acquired loans	$ 26,491	$ 61	$ 343	$ -	$ 26,895

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Total Loans					
Residential mortgages:					
1-4 family first-lien	$ 133,353	$ 1,068	$ 1,428	$ -	$ 135,849
Construction	930	-	-	-	930
	134,283	1,068	1,428	-	136,779
Commercial loans:					
Real estate - nonresidential	28,454	3,005	4,015	-	35,474
Real estate - multi-family	5,756	-	-	-	5,756
Construction	606	-	-	-	606
Other commercial and industrial	13,699	1,006	2,629	-	17,334
	48,515	4,011	6,644	-	59,170
Consumer:					
Home equity and junior liens	10,439	33	124	-	10,596
Manufactured homes	18,742	223	-	-	18,965
Automobile	13,883	121	64	-	14,068
Student	1,674	-	-	-	1,674
Other consumer	1,756	67	24	-	1,847
	46,494	444	212	-	47,150
Total loans	$ 229,292	$ 5,523	$ 8,284	$ -	$ 243,099

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.

The Company did originate a small portfolio of sub-prime automobile loans in 2014. Upon assessment of the higher risk in this portfolio, the lending product was discontinued. It is anticipated to pay down quickly over a short-term. The allowance for loan losses was increased to cover the exposure inherent in the sub-prime automobile portfolio. At December 31, 2019 the total outstanding balance of this discontinued sub-prime portfolio was $181,000. Of the amount outstanding, $125,000 of these loans are current and paying as agreed.

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.

An age analysis of past due loans, segregated by class of loans, as of December 31, are as follows:

2019

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable
Originated Loans						
Residential mortgage loans:						
1-4 family first-lien	$ 2,963	$ 1,656	$ 1,945	$ 6,564	$ 113,644	$ 120,208
Construction	-	-	-	-	828	828
	2,963	1,656	1,945	6,564	114,472	121,036
Commercial loans:						
Real estate - nonresidential	350	1,388	912	2,650	30,931	33,581
Real estate - multi-family	-	-	-	-	5,585	5,585
Construction	-	-	-	-	100	100
Other commercial and industrial	540	24	73	637	13,391	14,028
	890	1,412	985	3,287	50,007	53,294
Consumer loans:						
Home equity and junior liens	80	71	67	218	9,952	10,170
Manufactured homes	179	83	-	262	23,507	23,769
Automobile	207	54	54	315	20,768	21,083
Student	35	-	-	35	2,216	2,251
Other consumer	57	2	-	59	1,928	1,987
	558	210	121	889	58,371	59,260
Total originated loans	$ 4,411	$ 3,278	$ 3,051	$ 10,740	$ 222,850	$ 233,590

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable
Acquired Loans						
Residential mortgage loans:						
1-4 family first-lien	$ 457	$ 293	$ 314	$ 1,064	$ 17,442	$ 18,506
Construction	-	-	-	-	-	-
	457	293	314	1,064	17,442	18,506
Commercial loans:						
Real estate - nonresidential	-	-	-	-	2,115	2,115
Other commercial and industrial	-	-	-	-	404	404
	-	-	-	-	2,519	2,519
Consumer loans:						
Home equity and junior liens	11	63	87	161	1,672	1,833
Other consumer	1	18	-	19	342	361
	12	81	87	180	2,014	2,194
Total acquired loans	$ 469	$ 374	$ 401	$ 1,244	$ 21,975	$ 23,219

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable
Total Loans						
Residential mortgage loans:						
1-4 family first-lien	$ 3,420	$ 1,949	$ 2,259	$ 7,628	$ 131,086	$ 138,714
Construction	-	-	-	-	828	828
	3,420	1,949	2,259	7,628	131,914	139,542
Commercial loans:						
Real estate - nonresidential	350	1,388	912	2,650	33,046	35,696
Real estate - multi-family	-	-	-	-	5,585	5,585
Construction	-	-	-	-	100	100
Other commercial and industrial	540	24	73	637	13,795	14,432
	890	1,412	985	3,287	52,526	55,813
Consumer loans:						
Home equity and junior liens	91	134	154	379	11,624	12,003
Manufactured homes	179	83	-	262	23,507	23,769
Automobile	207	54	54	315	20,768	21,083
Student	35	-	-	35	2,216	2,251
Other consumer	58	20	-	78	2,270	2,348
	570	291	208	1,069	60,385	61,454
Total loans	$ 4,880	$ 3,652	$ 3,452	$ 11,984	$ 244,825	$ 256,809

2018

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable
Originated Loans						
Residential mortgage loans:						
1-4 family first-lien	$ 3,107	$ 1,072	$ 1,445	$ 5,624	$ 109,506	$ 115,130
Construction	-	-	-	-	327	327
	3,107	1,072	1,445	5,624	109,833	115,457
Commercial loans:						
Real estate - nonresidential	1,072	1,542	859	3,473	29,758	33,231
Real estate - multi-family	-	-	-	-	5,756	5,756
Construction	-	-	-	-	606	606
Other commercial and industrial	1,478	159	196	1,833	15,002	16,835
	2,550	1,701	1,055	5,306	51,122	56,428
Consumer loans:						
Home equity and junior liens	30	104	37	171	8,190	8,361
Manufactured homes	200	223	-	423	18,542	18,965
Automobile	305	93	64	462	13,606	14,068
Student	-	27	8	35	1,639	1,674
Other consumer	14	55	-	69	1,182	1,251
	549	502	109	1,160	43,159	44,319
Total originated loans	$ 6,206	$ 3,275	$ 2,609	$ 12,090	$ 204,114	$ 216,204

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable
Acquired Loans						
Residential mortgage loans:						
1-4 family first-lien	$ 1,602	$ 360	$ 232	$ 2,194	$ 18,525	$ 20,719
Construction	-	-	-	-	603	603
	1,602	360	232	2,194	19,128	21,322
Commercial loans:						
Real estate - nonresidential	-	-	-	-	2,243	2,243
Other commercial and industrial	-	-	-	-	499	499
	-	-	-	-	2,742	2,742
Consumer loans:						
Home equity and junior liens	4	5	87	96	2,139	2,235
Other consumer	34	12	24	70	526	596
	38	17	111	166	2,665	2,831
Total acquired loans	$ 1,640	$ 377	$ 343	$ 2,360	$ 24,535	$ 26,895

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable
Total Loans						
Residential mortgage loans:						
1-4 family first-lien	$ 4,709	$ 1,432	$ 1,677	$ 7,818	$ 128,031	$ 135,849
Construction	-	-	-	-	930	930
	4,709	1,432	1,677	7,818	128,961	136,779
Commercial loans:						
Real estate - nonresidential	1,072	1,542	859	3,473	32,001	35,474
Real estate - multi-family	-	-	-	-	5,756	5,756
Construction	-	-	-	-	606	606
Other commercial and industrial	1,478	159	196	1,833	15,501	17,334
	2,550	1,701	1,055	5,306	53,864	59,170
Consumer loans:						
Home equity and junior liens	34	109	124	267	10,329	10,596
Manufactured homes	200	223	-	423	18,542	18,965
Automobile	305	93	64	462	13,606	14,068
Student	-	27	8	35	1,639	1,674
Other consumer	48	67	24	139	1,708	1,847
	587	519	220	1,326	45,824	47,150
Total loans	$ 7,846	$ 3,652	$ 2,952	$ 14,450	$ 228,649	$ 243,099

Year-end non-accrual loans, segregated by class of loan, were as follows:

(In thousands)	2019	2018
Residential mortgage loans:		
1-4 family first-lien	$ 2,259	$ 1,677
Construction	-	-
	2,259	1,677
Commercial loans:		
Real estate - nonresidential	2,509	859
Real estate - multi-family	-	-
Construction	-	-
Other commercial and industrial	1,195	196
	3,704	1,055
Consumer loans:		
Home equity and junior liens	154	124
Manufactured homes	-	-
Automobile	54	64
Student	-	8
Other consumer	-	33
	208	229
Total non-accrual loans	$ 6,171	$ 2,961

There were no loans past due more than ninety days and still accruing interest at December 31, 2019 or 2018. The increase in the nonresidential and commercial loans that are non-accrual is attributable to one commercial relationship totaling $2.7 million that experienced performance issues and was restructured in December 2019. Although the loans are all current at year-end the restructure met the criteria for a Troubled Debt Restructuring, and as such, the accrual of interest has been suspended until the loans perform under the modified terms for a period of six months.

Troubled Debt Restructurings

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

At December 31, 2018, the Company had 10 automobile loans, with an outstanding balance of $96,000, in the portfolio that had been modified by making concessions to maturity dates and, in some cases, lowering the interest rate from the original contract. Each modification was done to alleviate the borrowers' financial difficulties and keep the collateral from repossession when the borrower met the eligibility criteria. At December 31, 2019, all ten of the modified loans are still outstanding, for a total of $81,000. Two of the outstanding auto TDRs are in non-accrual status due to delinquency greater than 90 days. Each of the other remaining TDR loans continues to accrue interest and have not defaulted since restructuring. Although these loans are considered impaired because they are TDR, they have not been assigned a specific reserve due to the small balance of the individual loans.

As a result of the merger in 2018, the Company acquired two consumer loans that met the criteria of a TDR. The two loans had an outstanding balance at December 31, 2018 of approximately $17,000. During 2019, one of those loans failed to perform under the modified terms and the balance of $7,000 was charged off against our loan allowance. The remaining consumer loan had an outstanding balance at December 31, 2019 of $7,000. This was paid in full after year-end.

In 2019, the Company modified a commercial loan that was originated through a program with Bankers Healthcare Group (BHG). This loan is also serviced by BHG, who maintains a 50% recourse share in losses from this loan program portfolio. BHG deferred payments for the borrower to bring the loan current after significant delinquency had occurred, making concessions to the maturity date but not the rate or principal due. The principal balance of this loan at December 31, 2019 is $25,000. Since modification, the

loan continues to make regular on-time payments under the terms of the modification and is now considered current, but will be reported as a TDR until the outstanding balance is paid in full.

In 2018, a local automobile dealership with whom the Company has had a long-standing commercial relationship, began to experience cash flow concerns. At that time, additional loans were purchased from the dealership but, in order to ease the dealership's cash flow and the payment process, the outstanding balance was re-amortized as one debt to one maturity date. The resulting consolidated balance was classified as a commercial loan to the dealership and considered a TDR. Although this loan remained current, the rest of the relationship began to suffer delinquencies and the borrowers needed assistance in determining their cash flow needs and sources. In December 2019, the Company restructured the entire relationship, which included the purchased loans consolidated in the previous year, a nonresidential mortgage, a dealer floorplan line of credit and two commercial term loans. All loans were cross-collateralized, additional collateral was obtained and temporary concessions were made as to loan interest rates and amortization. At December 31, 2019, the total balance of the restructured loans in this relationship is $2,718,000. Regular weekly payments have been received in accordance with the modified terms.

Impaired Loans

The following table summarizes impaired loans information by portfolio class as of December 31:

	2019				
(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
1-4 family residential mortgages	$ 2,150	$ 2,180	$ -	$ 2,177	$ 76
Construction residential mortgages	-	-	-	-	-
Commercial real estate - nonresidential	2,472	2,472	-	1,015	31
Commercial real estate - multi-family	-	-	-	-	-
Construction commercial	-	-	-	-	-
Other commercial and industrial	1,622	1,622	-	974	53
Home equity and junior liens	131	131	-	132	7
Manufactured homes	-	-	-	-	-
Automobile	81	81	-	89	10
Student	-	-	-	-	-
Other consumer	-	-	-	-	-
With an allowance recorded:					
1-4 family residential mortgages	132	132	7	132	6
Construction residential mortgages	-	-	-	-	-
Commercial real estate - nonresidential	438	438	250	438	-
Commercial real estate - multi-family	-	-	-	-	-
Construction commercial	-	-	-	-	-
Other commercial and industrial	385	385	133	64	5
Home equity and junior liens	-	-	-	-	-
Manufactured homes	-	-	-	-	-
Automobile	-	-	-	-	-
Student	-	-	-	-	-
Other consumer	1	1	1	1	-
Total:					
1-4 family residential mortgages	2,282	2,312	7	2,309	82
Construction residential mortgages	-	-	-	-	-
Commercial real estate - nonresidential	2,910	2,910	250	1,453	31
Commercial real estate - multi-family	-	-	-	-	-
Construction commercial	-	-	-	-	-
Other commercial and industrial	2,007	2,007	132	1,038	58
Home equity and junior liens	131	131	-	132	7
Manufactured homes	-	-	-	-	-
Automobile	81	81	-	89	10
Student	-	-	-	-	-
Other consumer	1	1	1	1	-
	$ 7,412	$ 7,442	$ 390	$ 5,022	$ 188

	2018				
(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
1-4 family residential mortgages	$ 1,608	$ 1,638	$ -	$ 1,647	$ 68
Construction residential mortgages	-	-	-	-	-
Commercial real estate - nonresidential	1,907	1,907	-	1,942	94
Commercial real estate - multi-family	-	-	-	-	-
Construction commercial	-	-	-	-	-
Other commercial and industrial	1,369	1,369	-	1,514	73
Home equity and junior liens	124	124	-	125	5
Manufactured homes	-	-	-	-	-
Automobile	96	96	-	105	13
Student	-	-	-	-	-
Other consumer	40	40	-	41	4
With an allowance recorded:					
1-4 family residential mortgages	-	-	-	-	-
Construction residential mortgages	-	-	-	-	-
Commercial real estate - nonresidential	438	438	60	438	-
Commercial real estate - multi-family	-	-	-	-	-
Construction commercial	-	-	-	-	-
Other commercial and industrial	1,260	1,260	124	1,142	19
Home equity and junior liens	-	-	-	-	-
Manufactured homes	-	-	-	-	-
Automobile	-	-	-	-	-
Student	-	-	-	-	-
Other consumer	1	1	1	1	-
Total:					
1-4 family residential mortgages	1,608	1,638	-	1,647	68
Construction residential mortgages	-	-	-	-	-
Commercial real estate - nonresidential	2,345	2,345	60	2,380	94
Commercial real estate - multi-family	-	-	-	-	-
Construction commercial	-	-	-	-	-
Other commercial and industrial	2,629	2,629	124	2,656	92
Home equity and junior liens	124	124	-	125	5
Manufactured homes	-	-	-	-	-
Automobile	96	96	-	105	13
Student	-	-	-	-	-
Other consumer	41	41	1	42	4
	$ 6,843	$ 6,873	$ 185	$ 6,955	$ 276

The auto loan pools held by the Agency were restructured and included as a TDR in 2018 and were accounted for using a cash-basis. The Company recognized $8,000 in interest on the loan for the year ended December 31, 2018. Interest in the amount of $20,500 was recognized on a cash-basis on this loan in 2019. There were no other loans that had interest recognized using the cash-basis method of accounting.

6. Servicing

At December 31, 2019 and 2018, 1-4 family residential mortgage loans serviced for others amounted to approximately $16.4 million and $19.0 million, respectively. These loans are not included in the accompanying consolidated statements of financial condition. A portion of the serviced loan portfolio, with outstanding balances totaling $14.3 million and $16.8 million at December 31, 2018 and 2017, respectively, was sold with limited recourse provisions. See Footnote 17 for further information.

The balance of capitalized servicing rights included in other assets at December 31, 2019 and 2018, was $23,000 and $26,000, respectively. Annual amortization of servicing rights is immaterial.

7. Allowance for Loan Loss

Changes in the allowance for loan losses and information pertaining to the allocation of the allowance for loan losses and balances of the allowance for loan losses and loans receivable based on individual and collective impairment evaluation by loan portfolio class at and for the years ended December 31 are summarized as follows:

	2019					
(In thousands)	1-4 family residential mortgage	Construction residential mortgage	Commercial real estate nonresidential	Commercial real estate multi-family	Construction commercial	Other commercial and industrial
Allowance for loan losses:						
Beginning Balance	$ 314	$ 1	$ 202	$ 12	$ -	$ 523
Charge-offs	(42)	-	(18)	-	-	(106)
Recoveries	2	-	-	9	-	79
Provision for loan losses	101	1	237	(4)	-	31
Ending balance	$ 375	$ 2	$ 421	$ 17	$ -	$ 527
Ending balance: related to loans individually evaluated for impairment	$ 7	$ -	$ 250	$ -	$ -	$ 132
Ending balance: related to loans collectively evaluated for impairment	$ 368	$ 2	$ 171	$ 17	$ -	$ 395
Loans receivable:						
Ending balance	$ 138,714	$ 828	$ 35,696	$ 5,585	$ 100	$ 14,432
Ending balance: individually evaluated for impairment	$ 2,282	$ -	$ 2,910	$ -	$ -	$ 2,007
Ending balance: collectively evaluated for impairment	$ 136,432	$ 828	$ 32,786	$ 5,585	$ 100	$ 12,425

2019 (cont'd)

(In thousands)	Home equity and junior liens	Manufactured Homes	Automobile	Student	Other Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	$ 58	$ -	$ 228	$ 50	$ 28	$ 132	$ 1,548
Charge-offs	-	-	(137)	(25)	(68)	-	(396)
Recoveries	-	-	52	1	5	-	148
Provision for loan losses	(8)	-	(1)	43	70	(110)	360
Ending balance	$ 50	$ -	$ 142	$ 69	$ 35	$ 22	$ 1,660
Ending balance: related to loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 1	$ -	$ 390
Ending balance: related to loans collectively evaluated for impairment	$ 50	$ -	$ 142	$ 69	$ 34	$ 22	$ 1,270
Loans receivable:							
Ending balance	$ 12,003	$ 23,769	$ 21,083	$ 2,251	$ 2,348	$ -	$ 256,809
Ending balance: individually evaluated for impairment	$ 131	$ -	$ 81	$ -	$ 1	$ -	$ 7,412
Ending balance: collectively evaluated for impairment	$ 11,872	$ 23,769	$ 21,002	$ 2,251	$ 2,347	$ -	$ 249,397

2018

(In thousands)	1-4 family residential mortgage	Construction residential mortgage	Commercial real estate nonresidential	Commercial real estate multi-family	Construction commercial	Other commercial and industrial
Allowance for loan losses:						
Beginning Balance	$ 282	$ 1	$ 335	$ 11	$ -	$ 591
Charge-offs	(30)	-	(4)	-	-	(531)
Recoveries	13	-	-	4	-	44
Provision for loan losses	49	-	(129)	(3)	-	419
Ending balance	$ 314	$ 1	$ 202	$ 12	$ -	$ 523
Ending balance: related to loans individually evaluated for impairment	$ -	$ -	$ 60	$ -	$ -	$ 124
Ending balance: related to loans collectively evaluated for impairment	$ 314	$ 1	$ 142	$ 12	$ -	$ 399
Loans receivable:						
Ending balance	$ 135,849	$ 930	$ 35,474	$ 5,756	$ 606	$ 17,334
Ending balance: individually evaluated for impairment	$ 1,608	$ -	$ 2,345	$ -	$ -	$ 2,629
Ending balance: collectively evaluated for impairment	$ 134,241	$ 930	$ 33,129	$ 5,756	$ 606	$ 14,705

	2018 (cont'd)						
(In thousands)	Home equity and junior liens	Manufactured Homes	Automobile	Student	Other Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	$ 21	$ -	$ 929	$ 12	$ 49	$ 252	$ 2,483
Charge-offs	(41)	-	(636)	-	(11)	-	(1,253)
Recoveries	1	-	77	-	4	-	143
Provision for loan losses	77	-	(142)	38	(14)	(120)	175
Ending balance	$ 58	$ -	$ 228	$ 50	$ 28	$ 132	$ 1,548
Ending balance: related to loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 1	$ -	$ 185
Ending balance: related to loans collectively evaluated for impairment	$ 58	$ -	$ 228	$ 50	$ 27	$ 132	$ 1,363
Loans receivable:							
Ending balance	$ 10,596	$ 18,965	$ 14,068	$ 1,674	$ 1,847	$ -	$ 243,099
Ending balance: individually evaluated for impairment	$ 124	$ -	$ 96	$ -	$ 41	$ -	$ 6,843
Ending balance: collectively evaluated for impairment	$ 10,472	$ 18,965	$ 13,972	$ 1,674	$ 1,806	$ -	$ 236,256

The indirect automobile program loans, and the loans originated under a direct sub-prime automobile program, are evaluated separately from the rest of the consumer loan portfolio due to the inherent risk of the program loans. Program loans are evaluated based on the historical losses in the portfolio, discounted collateral values, collection efforts and available cash reserves accumulated as part of the loan assignment agreements with local dealers. The direct sub-prime automobile program was offered to consumers for approximately six months in 2014. The program was discontinued after detailed analysis revealed that the loan type carried higher risk characteristics than anticipated. In the fourth quarter of 2014, the indirect program was discontinued with the two largest dealerships. Once discontinued, the portfolio no longer enjoyed the participation of the dealers, their continued building of cash reserves, which provided for losses incurred by the Company, and dealer cooperation, which impacted collection efforts. As such, we analyze these loans individually to determine the likelihood of repayment. In 2015, the dealer cash reserves ran out on the discontinued programs and the Company began to incur the losses through the allowance for loan losses. In 2016, all auto program losses ran through the allowance of loan losses and the Company incurred significant provision expense to record all anticipated future losses on the automobile portfolio in the reserve at December 31, 2016. In 2019, the majority of the remaining automobile program loans are current and remain adequately reserved without incurring additional provisions for such losses. At December 31, 2019, the total outstanding balance of all discontinued program loans was $181,000.

8. Federal Home Loan Bank of New York Stock

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

9. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows as of December 31:

(In thousands)	2019	2018
Premises:		
Land	$ 3,909	$ 3,931
Buildings and improvements	19,016	18,732
Equipment	6,638	6,273
Construction in progress	171	630
	29,734	29,566
Less: Accumulated depreciation	12,146	11,077
	$ 17,588	$ 18,489

10. Intangible Assets and Goodwill

Intangible assets and goodwill are summarized as follows:

	December 31, 2019		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Value
Amortized intangible assets:			
Non-compete agreements	$ 5	$ (2)	$ 3
Core deposit intangible	$ 964	$ (54)	910
Goodwill	792	-	792
	$ 1,761	$ (56)	$ 1,705

	December 31, 2018		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Value
Amortized intangible assets:			
Non-compete agreements	$ 5	$ (1)	$ 4
Core deposit intangible	964	-	964
Goodwill	792	-	792
	$ 1,761	$ (1)	$ 1,760

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

On September 29, 2018, the Company merged Medina Savings and Loan Association into Generations Bank. The transaction was structured as a merger with a mutual entity and as such, there was no purchase price paid. The assets and liabilities of MSL were marked to fair value as of the date of the merger. The fair value of the Core Deposit Intangible ("CDI"), was determined using such factors as deposit mix, interest costs, fee income generated and servicing costs. It is the economic benefit that a holder of deposits could expect to realize from the deposit base versus using an alternative source of funds. The CDI valuation employed a discounted cash flow analysis to determine the market value of the acquired core deposits to fund operations, versus using comparable term (i.e. term to maturity) wholesale borrowings. As of the Valuation Date, the intangible value of MSL's core deposits was, in aggregate, $964,000 on a pre-tax basis, equal to 2.50% of the acquired core deposits. The fair value calculations

include the present value of tax benefits assuming the intangible asset is amortized on a straight-line basis over 15 years with an effective tax rate of 21%.

Amortization expense for the core intangible asset for the years ended December 31, 2019, as well as the estimated aggregate amortization expense for each of the five succeeding years is summarized as follows:

(In thousands)

For the years ended December 31,		Amortization Expense
2019	$	54
2020		64
2021		64
2022		64
2023		64
2024		64
	$	320

Goodwill previously recorded from the purchase of Royce & Rosenkrans Insurance Agency is being amortized for federal and state income tax purposes.

There were no impairment losses on intangible assets or goodwill for the years ended December 31, 2019 and 2018.

11. Deposits

Deposits, by deposit type, are summarized as follows:

		December 31,		
(In thousands)		2019		2018
Checking accounts, non-interest bearing	$	37,039	$	37,667
Checking accounts, interest-bearing		27,525		26,228
Money market accounts		24,861		21,732
Savings accounts		85,300		90,691
Time deposits		107,554		78,064
Brokered time deposits		-		5,227
	$	282,279	$	259,609

In 2017, the Company began accepting brokered time deposits through a third party. All brokered time deposits had balances less than $250,000 and terms up to 52 weeks. Brokered deposits are a dependable means by which to diversify our funding sources and reduce the cost of funds compared to retail time deposits and borrowings. At December 31, 2019, all of the purchased brokered time deposits had matured and been paid out.

Effective December 31, 2018, the Bank officially established Generations Commercial Bank (the "Commercial Bank"), a New York State chartered limited-purpose commercial bank, formed expressly to enable local municipalities to deposit public funds with the Bank in accordance with existing NYS municipal law. The Commercial Bank opened for business on January 2, 2019. The addition of the Commercial Bank enabled deposit growth in public funds of $43.5 million in 2019, with $36.8 million of that amount held in short-term time deposits. The requirement to collateralize these public funds has been met by pledging municipal bonds with a market value of $12.9 million at December 31, 2019 and by entering the remaining uninsured balances into a reciprocal deposit network. The depository network arranges for the "redeposit" of the local government's funds in one or more "banking institutions," through a "deposit placement program", in which the municipalities' deposits are divided into multiple deposits, all under the $250,000 FDIC limit. The smaller deposits are made into other FDIC-insured banking institutions, thereby increasing the available FDIC coverage for the government entity. At the same time, each of the banking institutions into which a piece of the original deposit was made, makes a "reciprocal deposit" back into the Bank that holds the local government's original deposit. At December 31, 2019, the Commercial Bank held $28.4 million in reciprocal deposit balances.

Scheduled maturities of time deposits, including those that were obtained through the third party broker, at December 31, 2018 are summarized as follows:

(In thousands)		
For the years ended December 31,		
2020	$	81,106
2021		16,083
2022		6,114
2023		1,568
2024		1,574
Thereafter		1,109
	$	107,554

The aggregate amount of time deposits with balances equal to or greater than $250,000 was $36,652,000 and $30,670,000 at December 31, 2019 and 2018, respectively. The increase in uninsured balances is the result of a $9,000,000 time deposit placed with the Commercial Bank from a local municipality. Although this deposit is over the FDIC insured limit, it is collateralized by pledged municipal bonds. Deposits at FDIC-insured institutions are insured up to $250,000 per depositor.

12. Borrowings

The composition of borrowings (including subordinated debt) at December 31 is as follows:

(In thousands)		**2019**		**2018**
Short-term:				
FHLB Advances	$	-	$	1,000
Long-term:				
FHLB fixed-rate term advances	$	3,300	$	300
FHLB fixed-rate amortizing advances		28,148		24,269
Total long-term borrowings	$	31,448	$	24,569
Subordinated debt	$	735	$	735

The principal balances and interest rates of the above fixed rate borrowings at December 31, 2019 are as follows:

(Dollars in thousands)		**Principal**	**Rates**
Long-term:			
FHLB fixed-rate term advances		3,300	1.74%-2.12%
FHLB fixed-rate amortizing advances		28,148	1.20%-3.03%
Total long-term borrowings	$	31,448	
Subordinated debt	$	735	8.00%

The maturities of long-term borrowings and subordinated debt are as follows:

(Dollars in thousands)		
Long-term:		
due within 1 year	$	8,171
due within 2 years		9,285
due within 3 years		7,814
due within 4 years		2,457
due within 5 years		2,986
Thereafter		1,470
Total long-term borrowings	$	32,183

The Bank has $106.0 million borrowing availability with the Federal Home Loan Bank of New York ("FHLB") at December 31, 2019. The Bank's aggregate unused FHLB borrowing capacity was approximately $74.5 million at December 31, 2019.

FHLB borrowings are secured by the Bank's investment in FHLB stock and by a blanket security agreement. This agreement requires the Bank to maintain as collateral certain qualifying assets (principally FHLB stock and residential mortgage loans) not otherwise pledged, with a fair value (as defined) at least equal to 120% of outstanding advances, or $37.7 million at December 31, 2019. Residential mortgage loans with a carrying value of $73.9 million and FHLB stock with a carrying value of $2.3 million have been pledged by the Company under the blanket collateral agreement to secure the Company's borrowings. Additional borrowings are available to the Bank upon delivery of investment securities and/or loans secured by non-residential property.

The Bank also has an $8 million line of credit with a correspondent bank. Under the terms of the agreement, up to $4 million advanced is unsecured for terms of fourteen days or less. Any amount advanced over $4 million, or if the advance were extended for a term greater than fourteen days, would be secured by the delivery of collateral. The secured advance is limited to 80% of government agency sponsored mortgage-backed securities or 90% of United States Government Treasuries delivered. No advances received can exceed 50% of the Bank's capital. At December 31, 2019 and 2018, there were no outstanding advances on this line.

The Bank also has an additional fed funds line of credit with Zions Bank for $5,500,000. This line is unsecured. At December 31, 2019 and 2018, there were no outstanding advances on this line.

In June 2011, the Company issued $735,000 in fixed-rate subordinated debt. The notes, including principal and interest paid at 8% per annum, are subordinate and junior in right of payment to all obligations of the Company. All notes have a maturity date of June 30, 2021, however, the Company may, at its option, redeem some or all of the subordinated notes on any interest payment date at a redemption price of 100% of the principal amount plus any accrued but unpaid interest. Interest payments are made on January 15th and July 15th of each year. Of the subordinated debt outstanding at December 31, 2019 and 2018, $500,000 was held by the Company's directors and their affiliates each year.

13. Income Taxes

The Company's provision for income taxes included in the consolidated statements of operations is as follows:

(In thousands)	2019	2018
Current tax expense:		
Federal	$ -	$ -
State	12	23
Total current tax expense (benefit)	12	23
Deferred tax benefit:		
Federal	(167)	(169)
State	-	-
Total deferred tax benefit	(167)	(169)
Provision for income taxes	$ (155)	$ (146)

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

(In thousands)	2019	2018
Assets:		
Investment securities, impairment losses	$ -	$ 86
Investment securities, unrealized losses	-	107
Allowance for loan losses	438	426
Deferred compensation	101	32
Net operating loss carryforward	1,929	1,601
Mortgage recording tax credit	11	14
AMT credit	16	16
Other	84	67
	2,579	2,349
Valuation Allowance	(703)	(703)
	1,876	1,646
Liabilities:		
Pension	(1,597)	(1,336)
Intangible assets	(260)	(271)
Investment securities, unrealized gains	(121)	-
Mortgage servicing rights	(5)	(5)
Depreciation	(128)	(239)
Other	(10)	(12)
	(2,121)	(1,863)
Net deferred tax liability	$ (245)	$ (217)

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carry back period. A valuation allowance is provided when it is more likely than not that some portion, or all of the deferred tax assets, will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income and the projected future level of taxable

income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. The judgment about the level of future taxable income is inherently subjective and is reviewed on a continual basis as regulatory and business factors change.

In conjunction with the acquisition of MSL, the Company's net operating loss deferred tax asset position was increased. Because that net operating loss carryforward is subject to limitation under IRC section 382, management established a valuation allowance of $703,000 as part of the acquisition.

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

	2019	2018
Federal statutory income tax rate	21.0%	21.0%
State tax, net of federal benefit	-26.2%	-2.0%
Bank owned life insurance and other permanent differences	40.1%	2.9%
Other permanent differences	-6.9%	-11.3%
Tax exempt income	188.5%	10.8%
Mortgage recording tax	5.7%	0.9%
Impact of income tax rate change	0.0%	0.0%
Change in valuation allowance	0.0%	0.0%
Other	4.1%	-6.3%
Effective income tax rate	226.4%	16.0%

As a thrift institution, the Bank is subject to special provisions in the tax laws regarding its allowable tax bad debt deductions and related tax bad debt reserves. These deductions are determined using methods based on loss experience or a percentage of taxable income. Tax bad debt reserves represent the excess of allowable deductions over actual bad debt losses, and include a defined base-year amount. Deferred tax liabilities are recognized with respect to reserves in excess of the base-year amount, as well as any portion of the base-year amount that is expected to become taxable (or "recaptured") in the foreseeable future. The Bank's base-year tax bad debt reserves totaled $332,000 for Federal tax purposes at December 31, 2019 and 2018.

14. Employee Benefit Plans

401(k) Plan

The Company provides for a savings and retirement plan for employees, which qualifies under section 401(k) of the Internal Revenue Code. The plan provides for voluntary contributions by participating employees ranging from one percent to fifteen percent of their compensation, subject to certain limitations. In addition, the Company will make a matching contribution, equal to 25% of the employee's contribution. Matching contributions vest to the employee ratably over a five-year period. For the years ended December 31, 2019 and 2018, expense attributable to contributions made by the Company amounted to $53,000 and $49,000, respectively.

Defined Benefit Plan

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

The following tables set forth the changes in the Plans' benefit obligations, fair value of plan assets and the plans' funded status as of December 31:

Generations Bank Plan:

(In thousands)	2019	2018
Change in benefit obligations:		
Benefit obligations at beginning of year	$ 9,768	$ 10,377
Service cost	377	566
Interest cost	477	457
Actuarial loss (gain)	1,575	(1,286)
Benefits paid	(1,149)	(346)
Benefit obligations at end of year	11,048	9,768
Change in plan assets:		
Fair value of plan assets at beginning of year	14,383	15,177
Actual return on plan assets	3,038	(807)
Benefits paid	(1,149)	(346)
Employer contributions	407	359
Fair value of plan assets at end of year	16,679	14,383
Funded Status	$ 5,631	$ 4,615

Medina Savings and Loan Plan:

(In thousands)	2019	2018
Change in benefit obligations:		
Benefit obligations at merger date	$ 2,043	$ 3,977
Service cost	19	8
Interest cost	100	30
Actuarial loss (gain)	434	(855)
Benefits reimbursed (paid)	893	(1,117)
Benefit obligations at end of year	3,489	2,043
Change in plan assets:		
Fair value of plan assets at merger date	3,790	5,222
Actual return on plan assets	780	(315)
Benefits reimbursed (paid)	893	(1,117)
Employer contributions	-	-
Fair value of plan assets at end of year	5,463	3,790
Funded Status	$ 1,974	$ 1,747

Amounts recognized in accumulated other comprehensive loss as of December 31 were:

Generations Bank Plan:

(In thousands)		2019		2018
Unrecognized net loss	$	2,985	$	3,410
		2,985		3,410
Tax Effect		627		716
	$	2,358	$	2,694

Medina Savings and Loan Plan:

(In thousands)		2019		2018
Unrecognized net gain	$	(492)	$	(471)
		(492)		(471)
Tax Effect		(103)		(99)
	$	(389)	$	(372)

The accumulated benefit obligation for the Generations Bank defined benefit pension plan was $9,792,000 and $8,731,000 at December 31, 2019 and 2018, respectively. The accumulated benefit obligation for the Medina Savings and Loan defined benefit pension plan was $3,455,000 and $2,028,000 at December 31, 2019 and 2018.

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

Generations Bank Plan:

	2019	2018
Weighted average discount rate	4.130%	4.990%
Rate of increase in future compensation levels	4.000%	4.000%

Medina Savings and Loan Plan:

	2019	2018
Weighted average discount rate	4.200%	5.070%
Rate of increase in future compensation levels	3.000%	2.000%

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

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

The components of net periodic pension expense and amounts recognized in other comprehensive income are as follows for the years ended December 31:

Generations Bank Plan:

(In thousands)	2019	2018
Net periodic expenses recognized in income:		
Service cost	$ 377	$ 566
Interest cost	477	456
Expected return on plan assets	(1,238)	(1,302)
Amortization of net losses	200	119
Amortization of prior service credit	-	(6)
Net periodic pension benefit	(184)	(167)
Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss:		
Net actuarial (gain) loss	(225)	824
Amortization of net actuarial loss	(200)	(119)
Amortization of prior service credit	-	6
Total recognized in other comprehensive (income) loss	(425)	711
Total recognized in net periodic pension expense and other comprehensive (income) loss	$ (609)	$ 544

Medina Savings and Loan Plan:

(In thousands)	2019	2018
Net periodic expenses recognized in income:		
Service cost	$ 19	$ 8
Interest cost	100	30
Expected return on plan assets	(316)	(69)
Amortization of net gain	(9)	-
Amortization of prior service credit	-	-
Net periodic pension benefit	(206)	(31)
Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss:		
Net actuarial gain	(30)	(471)
Amortization of net actuarial gain	9	-
Amortization of prior service credit	-	-
Total recognized in other comprehensive (income) loss	(21)	(471)
Total recognized in net periodic pension expense and other comprehensive (income) loss	$ (227)	$ (502)

The estimated amount that will be amortized from accumulated other comprehensive loss on the Generations Bank plan into net periodic expense for the year ending December 31, 2020 is $135,000 of net loss. The prior service credit is fully amortized. The estimated amount that will be amortized from accumulated other comprehensive income on the Medina Savings and Loan plan into net periodic expense for the year ending December 31, 2020 is $0.

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

Generations Bank Plan:

	2019	2018
Weighted average discount rate	4.990%	4.490%
Long-term rate of return on plan assets	8.500%	8.500%
Rate of increase in future compensation levels	4.000%	4.000%

Medina Savings and Loan Plan:

	2019	2018
Weighted average discount rate	5.070%	4.250%
Long-term rate of return on plan assets	6.750%	6.750%
Rate of increase in future compensation levels	2.000%	2.000%

The Bank expects to contribute $281,100 to the Generations Bank plan in 2020. Contributions to the Medina Savings and Loan plan are not expected in 2020.

The following table shows the expected benefit payments to be paid to participants for the years indicated:

Generations Bank Plan:
(In thousands)

For the years ended December 31,		
2020	$	416
2021		409
2022		382
2023		380
2024		438
2025-2029		2,833

Medina Savings and Loan Plan:
(In thousands)

For the years ended December 31,		
2020	$	180
2021		178
2022		191
2023		200
2024		204
2025-2029		1,088

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

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

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

Generations Bank Plan:

(In thousands)	At December 31, 2019 Level 1	Level 2	Level 3	Total Fair Value
Asset Category:				
Equities and Commodities:				
(1) Select Fundamental Value	$ -	$ 1,377	$ -	$ 1,377
(2) Select Indexed Equity A	-	2,774	-	2,774
(3) Select Blue Chip Growth	-	1,388	-	1,388
(4) Mid-Cap Value	-	864	-	864
(5) Select S&P Mid-Cap Index		1,204		1,204
(6) Select Mid-Cap Growth	-	857	-	857
(7) Small-Cap	-	1,056	-	1,056
(8) Select Small-Cap Index	-	1,050	-	1,050
(9) Developing Markets	-	702	-	702
Fixed Income:				
(10) Premier Short-Duration Bond	-	777	-	777
(11) Premier Core Bond	-	1,541	-	1,541
(12) Select MetWest Total Return	-	1,538	-	1,538
(13) Select Western Strategic Bond	-	1,551	-	1,551
Total	$ -	$ 16,679	$ -	$ 16,679

Generations Bank Plan:

(In thousands)	At December 31, 2018 Level 1	Level 2	Level 3	Total Fair Value
Asset Category:				
Equities and Commodities:				
(1) Select Fundamental Value	$ -	$ 1,076	$ -	$ 1,076
(2) Select Indexed Equity A	-	2,174	-	2,174
(3) Select Blue Chip Growth	-	1,122	-	1,122
(4) Mid-Cap Value	-	674	-	674
(5) Select S&P Mid-Cap Index		925		925
(6) Select Mid-Cap Growth	-	694	-	694
(7) Small-Cap	-	776	-	776
(8) Select Small-Cap Index	-	794	-	794
(9) Developing Markets	-	605	-	605
Fixed Income:				
(10) Premier Short-Duration Bond	-	781	-	781
(11) Premier Core Bond	-	1,580	-	1,580
(12) Select MetWest Total Return	-	1,595	-	1,595
(13) Select Western Strategic Bond	-	1,587	-	1,587
Total	$ -	$ 14,383	$ -	$ 14,383

Medina Savings and Loan Plan:

	At December 31, 2019			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Asset Category:				
Equities and Commodities:				
(1) Select Fundamental Value	$ -	$ 907	$ -	$ 907
(2) Select Indexed Equity A	-	450	-	450
(3) Select Blue Chip Growth	-	454	-	454
(4) Mid-Cap Value	-	282	-	282
(5) Select S&P Mid-Cap Index		393		393
(6) Select Mid-Cap Growth	-	280	-	280
(7) Small-Cap	-	341	-	341
(8) Select Small-Cap Index	-	344	-	344
(9) Developing Markets	-	229	-	229
Fixed Income:				
(10) Premier Short-Duration Bond	-	256	-	256
(11) Premier Core Bond	-	508	-	508
(12) Select MetWest Total Return	-	507	-	507
(13) Select Western Strategic Bond	-	512	-	512
Total	$ -	$ 5,463	$ -	$ 5,463

(1) This fund invests in stocks of financially sound but temporarily out-of-favor companies providing above-average total return potential and selling at below average projected P/E multiples.
(2) The fund seeks to match the performance of the S&P 500 by investing in a representative sample of the stocks in that index. The ability to match investment performance to the S&P 500 is effected by daily cash flow and expenses.
(3) This fund invests at least 65% of assets in stocks of blue chip companies. These companies have a market capitalization of at least $200 million if included in the S&P 500 or the Dow Jones Industrial Average or $1 billion for companies not in these indices.
(4) The investment seeks long-term capital appreciation. The fund invests, under normal circumstances, at least 80% of its net assets in equity investments of medium-capitalization companies. It invests principally in equity securities of medium-capitalization companies with market capitalizations within the range of the Russell Midcap Value Index at the time of investment.
(5) The investment seeks to provide investment results approximating (before fees and expenses) the aggregate price and dividend performance of the securities included in the Standard & Poor's MidCap 400® Index.
(6) The investment seeks growth of capital over the long-term. The fund invests primarily in equity securities of mid-capitalization companies. It normally invests at least 80% of its net assets in a broadly diversified portfolio of common stocks of mid-cap companies whose earnings the sub-advisors expect to grow at a faster rate than the average company.
(7) The fund normally invests at least 80% of net assets in securities of small-capitalization companies. It invests primarily in equity securities. The fund may invest up to 25% of net assets in foreign securities and 10% of net assets in fixed-income securities such as investment-grade debt securities, longer-term U.S. government securities and high-quality money market investments.
(8) The investment seeks to provide investment results approximating (before fees and expenses) the aggregate price and dividend performance of the securities included in the Russell 2000® Index.
(9) The investment seeks capital appreciation aggressively. The fund mainly invests in common stock of issuers in emerging and developing markets throughout the world and may invest up to 100% of total assets in foreign securities. It normally invests at least 80% of net assets, plus borrowings for investment purposes, in equity securities of issuers whose principal activities are in at least three developing markets. The fund primarily invests in companies with high growth potential.
(10) The investment seeks to achieve a high total rate of return primarily from current income while minimizing fluctuation in capital values.
(11) The fund invests primarily in a diversified selection of investment-grade, publicly traded bonds including corporate, mortgage-backed, and government bonds. Normally, the portfolio duration will range from four to seven years.
(12) The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. Under normal circumstances, the fund invests at least 80% of its net assets in a diversified portfolio of investment grade fixed income securities (rated Baa3 or higher by Moody's, BBB- or higher by Standard & Poor's, BBB- or higher by Fitch, or A-2 by S&P, P-2 by Moody's, or F-2 by Fitch for short-term debt obligations, or, if unrated, determined by the fund's sub-adviser, Metropolitan West Asset Management, LLC, to be of comparable quality)
(13) The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. Under normal circumstances, the fund invests at least 80% of its net assets in a diversified portfolio of investment grade fixed income securities (rated Baa3 or higher by Moody's, BBB or higher by Standard & Poor's, BBB- or higher by Fitch, or A-2 by S&P, P-2 by Moody's, or F-2 by Fitch for short-term debt obligations, or, if unrated, determined by the fund's sub-adviser, Metropolitan West Asset Management, LLC, to be of comparable quality).

As of the 2018 year-end, the Medina Savings and Loan pension plan assets were invested in three diversified investments portfolios of the Pentegra Retirement Trust (the “Trust”), a private placement investment fund. The Trust had been given discretion by the former Plan Sponsor (MSL) to determine the appropriate strategic asset allocation versus the plan liabilities. This Plan was structured to utilize a Liability Driven Investment approach, which sought to fund the current and future liabilities

of the Plan and aimed to mitigate funded status and contribution volatility. Under this approach, the target asset allocation was to hold 55% of assets in equity securities, 34% in intermediate-term investment grade bonds, 10% in long-duration bonds and 1% in a cash equivalent portfolio.

Medina Savings and Loan Plan:

	At December 31, 2018			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Asset Category:				
Equities:				
(1) Large-Cap Value	$ -	$ 353	$ -	$ 353
(2) Large-Cap Growth	-	361	-	361
(3) Large-Cap Core	-	260	-	260
(4) Mid-Cap Value	-	77	-	77
(5) Mid-Cap Growth		78		78
(6) Mid-Cap Core	-	80	-	80
(7) Small-Cap Value	-	60	-	60
(8) Small-Cap Growth	-	107	-	107
(9) Small-Cap Core	-	61	-	61
(10) International Equity		435		435
Fixed Income:				
(11) U.S. Core Bond	-	1,150	-	1,150
(12) Intermediate Duration	-	546	-	546
(12) Long Duration	-	158	-	158
(13) Money Market *	1	63	-	64
Total	$ 1	$ 3,789	$ -	$ 3,790

* Includes cash equivalent investments in equity and fixed income strategies.

(1) This fund contains large-cap stocks with above-average yield. The portfolio typically holds between 60 and 70 stocks.
(2) This category seeks long-term capital appreciation by investing primarily in large growth companies based in the U.S.
(3) This fund tracks the performance of the S&P 500 Index by purchasing the securities represented in the Index in approximately the same weightings as the Index.
(4) This category employs an indexing investment approach designed to track the performance of the CRSP US Mid-Cap Value Index.
(5) This category employs an indexing investment approach designed to track the performance of the CRSP US Mid-Cap Growth Index.
(6) The investment seeks to track the performance of the S&P MidCap 400 Index.
(7) This category consists of a selection of investments based on the Russell 2000® Value Index.
(8) This category consists of a selection of investments based on the Russell 2000® Growth Index.
(9) The investment consists of an index fund designed to track the Russell 2000, along with a fund investing in readily marketable securities of U.S. companies with market capitalization within the smallest 10% of the market universe, or smaller than the 1000th largest U.S. company.
(10) This category has investments in medium to large non-U.S. companies, including high quality, durable growth companies and companies based in countries with stable economic and political systems. A portion of this category consists of an index fund designed to track the MSC ACWI ex-U.S. Net Dividend Return Index.
(11) This category currently includes equal investments in three mutual funds, two of which usually hold at least 80% of fund assets in investment-grade fixed income securities, seeking to outperform the Barclays U.S. Aggregate Bond Index while maintaining a similar duration to that index. The third fund targets investments of 50% or more in mortgage-backed securities guaranteed by the U.S. government and its agencies.
(12) This category consists mostly of a fund which seeks to track the Barclays Capital U.S. Corporate A or Better 5-20 Year Bullets Only Index along with a diversified mutual fund holding fixed income securities rated A or better.
(13) This category consists of a fund that seeks to approximate the performance of the Barclays Capital U.S. Corporate A or Better 20+ Year Bullets Only Index over the long term.

Determination of Long-Term Rate of Return

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

Employee Stock Ownership Plan (“ESOP”)
On July 10, 2006, the ESOP acquired 93,315 shares of the Company’s common stock with funds provided by a loan from the Company. The ESOP loan is repaid principally from the Bank’s contributions to the ESOP. The loan is being repaid in annual installments through 2021 and bears interest at the Wall Street Journal prime lending rate (4.75% at December 31, 2019). Shares are released to participants proportionately as the loan is repaid and totaled 6,221 shares for the years ended December 31, 2019 and 2018. ESOP expense was $67,000 and $70,000 for the years ended December 31, 2019 and 2018. At December 31, 2019, there were 9,332 shares unearned having an aggregate market value of approximately $98,079, based on a market value per share of $10.51.

Directors’ Retirement Plan
In 2012, the Company adopted a Directors Retirement Plan for the benefit of its non-employee members of the Board of Directors. The program is a nonqualified deferred compensation arrangement designed to comply with Internal Revenue Code Section 409A. The Bank makes a supplemental contribution to the plan on an annual basis. The contributions are deposited into a rabbi trust and are thereby isolated from the Company’s working capital. The grantor trust holds and distributes the funds according to the plan and trust documents. Expense attributable to contributions made by the Company amounted to $26,000 for each of the years ended December 31, 2019 and 2018.

Supplemental Executive Retirement Plan
A Supplemental Executive Retirement Plan was also established in 2012, for the benefit of a select group of management or highly compensated employees. This plan is structured as an unfunded arrangement that complies with IRC Section 409A, and allows for annual supplemental contributions to the plan by the Bank. The contributions are deposited into a rabbi trust and are thereby isolated from the Company’s working capital. The grantor trust holds and distributes the funds according to the plan and trust documents. For the years ended December 31, 2019 and 2018, expense attributable to contributions made by the Company amounted to $39,000 for each year.

15. Regulatory Capital

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

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

The final rules implementing Basel Committee on Banking Supervision’s capital guidelines for U.S. banks (BASEL III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the BASEL III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% for 2015 to 2.50% by 2019. The capital conservation buffer for 2018 was 1.875%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2019, the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2019, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized” the Bank must maintain minimum total core, risk-based, Tier 1 risk-based and common equity Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank’s category.

The Bank's actual capital amounts and ratios as of December 31, 2019 and 2018 are presented in the following table.

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be "Well-Capitalized" Under Prompt Corrective Provisions		Minimum For Capital Adequacy Plus Capital Conservation Buffer Basel III Phase-In	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019:								
Common Equity Tier 1 Capital*	$ 28,674	12.20%	$ 10,578	4.50%	$ 15,279	6.50%	$ 16,455	7.000%
Total Capital (to Risk-Weighted Assets)	$ 30,334	12.90%	$ 18,805	8.00%	$ 23,507	10.00%	$ 24,682	10.500%
Tier 1 Capital* (to Risk-Weighted Assets)	$ 28,674	12.20%	$ 14,104	6.00%	$ 18,805	8.00%	$ 19,981	8.500%
Core Capital (to Total Adjusted Assets)	$ 28,674	8.14%	$ 14,090	4.00%	$ 17,613	5.00%	$ 15,851	4.500%
As of December 31, 2018:								
Common Equity Tier 1 Capital*	$ 28,454	11.97%	$ 10,696	4.50%	$ 15,450	6.50%	$ 15,152	6.375%
Total Capital (to Risk-Weighted Assets)	$ 30,002	12.62%	$ 19,015	8.00%	$ 23,769	10.00%	$ 23,471	9.875%
Tier 1 Capital* (to Risk-Weighted Assets)	$ 28,454	11.97%	$ 14,261	6.00%	$ 19,015	8.00%	$ 18,718	7.875%
Core Capital (to Total Adjusted Assets)	$ 28,454	8.82%	$ 12,907	4.00%	$ 16,134	5.00%	$ 14,520	4.500%

* Tier 1 Capital is reduced by low-level recourse for mortgages sold to FHLB.

The Company's goal is to maintain a strong capital position, consistent with the risk profile of its subsidiary bank that supports growth and expansion activities while at the same time exceeding regulatory standards. At December 31, 2019, Generations Bank exceeded all regulatory required minimum capital ratios and met the regulatory definition of a "well-capitalized" institution, i.e. a core capital ratio exceeding 5%, a common equity Tier 1 capital ratio exceeding 6.50%, a Tier 1 risk-based capital ratio exceeding 8% and a total risk-based capital ratio exceeding 10%.

16. Dividends and Restrictions

The Holding Company's ability to pay dividends to its shareholders is largely dependent on the Bank's ability to pay dividends to the Company. In addition to the capital requirements discussed in Note 15, the circumstances under which the Bank may pay dividends are limited by federal statutes, regulations and policies. The amount of dividends the Bank may pay is equal to its net income for the year plus its net income for the prior two years that are still available for dividends. The amount of retained earnings legally available under these regulations approximated $494,000 as of December 31, 2019. Dividends paid by the Bank to the Holding Company would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

17. Commitments and Contingencies

Credit Commitments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit, interest rate or liquidity risk in excess of the amount recognized in the consolidated statements of financial condition. The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amounts of those instruments. The Bank has experienced minimal credit losses to date on its financial instruments with off-balance sheet risk and management does not anticipate any significant losses on its commitments to extend credit outstanding at December 31, 2019.

At December 31, 2019 and 2018, financial instruments whose contract amounts represent credit risk consist of the following:

	Contract Amount	
(In thousands)	**2019**	**2018**
Commitments to grant loans	$ 4,847	$ 5,731
Unfunded commitments under lines of credit	17,072	17,412
Standby letters of credit	400	232

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-

balance sheet instruments. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitment amounts are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held varies but may include residential real estate and income-producing commercial properties. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2019 with fixed interest rates amounted to approximately $10.5 million. Loan commitments, including unused lines of credit and standby letters of credit, outstanding at December 31, 2019 with variable interest rates amounted to approximately $11.8 million. These outstanding loan commitments carry current market rates.

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

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

Commitments to Originate and Sell 1-4 Family Residential Mortgages
The Bank has entered into agreements with the Federal Home Loan Bank of New York as part of its Mortgage Partnership Finance Program ("MPF Program") to originate and sell 1-4 family residential mortgages. The contracts call for the Bank to provide "best efforts" to meet the commitment, with no penalties to be paid in the event the Bank is not able to fulfill the commitment. At December 31, 2019 and 2018, there were no open contracts.

The Bank generally makes a determination whether to sell a loan between the time the loan is committed to be closed and the day after closing. If a loan is selected to be sold, a commitment to deliver the loan by a certain date is made under the MPF Program. At December 31, 2019 and 2018, the Bank had no open commitments to deliver loans.

In the event that the Bank is not able to deliver a specific loan committed, substitutions can generally be made. Otherwise, the Bank may extend the commitment for a fee, or the Bank is required to pay a pair-off fee. There were no extension or pair-off fees paid by the Bank for the year ended December 31, 2019 or 2018. The Bank has sold and funded $68.6 million under the MPF Program, inclusive of USDA loans, to date. The principal outstanding on loans sold under the MPF Program is $14.3 million. The Bank continues to service loans sold under the MPF Program.

Under the terms of the MPF Program, there is limited recourse back to the Bank for loans that do not perform in accordance with the terms of the loan agreement. Each loan that is sold under the program is "credit enhanced" such that the individual loan's rating is raised to "AA," as determined by the Federal Home Loan Bank of New York. The sum of each individual loan's credit enhancement represents the total recourse back to the Bank. The total recourse back to the Bank for loans sold was $2.2 million at December 31, 2019. A portion of the recourse is offset by a "first loss account" to which funds are allocated by the Federal Home Loan Bank of New York annually in January. The balance of the "first loss account" allocated to the Bank is $78,500 at December 31, 2019. In addition, many of the loans sold under the MPF Program have primary mortgage insurance, which reduces the Bank's overall exposure. The potential liability for the recourse is considered when the Bank determines its allowance for loan losses. At December 31, 2019, there were eight loans, five of which were USDA mortgages, that had been sold under the MPF Program, that were past due 30 days or more and had an outstanding principal balance of approximately $683,000.

Lease Commitments
As part of the MSL merger, the Bank took on the assignment of a non-cancelable operating lease with Wal-Mart East for the space occupied by the Albion retail office. This lease is set to expire on May 31, 2021. Lease expense, since the merger, is included in occupancy expense and was $45,000 for the year ending December 31, 2019.

Future minimum lease commitments under the operating lease are as follows:

(In thousands)		
For the years ended December 31,		
2020		46
2021		19
	$	65

The lease contains an option to extend for additional periods, which are not included in the commitments above. There are no plans to renew this lease.

18. Concentrations of Credit Risk

The majority of the Company's activities are with customers located in the Finger Lakes Region of New York, but we have now expanded our market footprint to include Orleans County, located northwest of the Finger Lakes, and diversified our loan portfolio with loan purchased from areas outside of the local region. See notes 4, 5 and 17 to the consolidated financial statements that discuss the types of securities that the Company invests in, the types of lending the Company engages in and commitments outstanding. The Company does not have any significant concentrations in any one industry or customer. From time to time, the Bank will maintain balances with its correspondent banks that exceed the $250,000 federally insured deposit limits. Management routinely evaluates the credit worthiness of these correspondent banks, and does not feel they pose a significant risk to the Company.

19. Related Party Transactions

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

The following is a summary of the loans made to officers, directors and their affiliates for the years ended December 31:

(In thousands)		**2019**		**2018**
Beginning balance	$	2,224	$	2,907
Originations		1,334		106
Payments and change in status		(803)		(789)
Ending balance	$	2,755	$	2,224

The aggregate amount of deposits owned by related parties was $1.5 million and $1.7 million at December 31, 2019 and 2018, respectively.

20. 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 income statements 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 for the years ended December 31, 2019 and 2018, respectively.

	December 31,	
(In thousands)	2019	2018
Service charges on deposit accounts	$ 730	$ 592
Debit card interchange and surcharge income	731	592
E-commerce income	23	19
Investment services income	284	304
Insurance commission and fees	793	865
Loan servicing fees	171	190
Rental income	94	96
Net gain (losses) on sales of premises and equipment	(36)	-
Net gains (losses) on sales of foreclosed real estate	(3)	-
	$ 2,787	$ 2,658

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 included 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 time 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 deposits 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 at 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 cardholder.

E-commerce income: The Company earns fees for merchant transaction processing services provided to its business customers by a third party service provider. Fees are also earned for credit cards provided to its consumer and business customers by a third party provider. The fees represent a percentage of the monthly transaction activity net of related costs, and are received from the service providers on a monthly basis.

Investment services income: The Company earns fees from investment brokerage services provided to its customers by an employee who acts as an agent for a third-party service provider, Cadaret Grant. The Company receives commissions from Cadaret Grant on a monthly basis based upon customer activity and balances held for the month. The Company employs the agent that arranges the relationship between the customer and the brokerage service provider. Investment brokerage commissions are presented gross based on the commission percentage earned. All related costs are recorded as operating expense.

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

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

Rental income: The Company owns several properties that were originally held as part of the retail banking facilities but have since been leased out under one-year renewable operating leases. All leases are written with triple-net terms, making related expenses the responsibility of the lessor.

Net gains/losses on sales of premises and equipment: The Company holds premises and equipment for the purpose of conducting business in the normal course, and usually, when sold, it has immaterial value and is sold without a contract or simply is disposed. However, when a piece of real estate previously held as Bank premises is sold, the Company records a gain or loss from the sale of the real estate when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of real estate to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the real estate asset is disposed and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Net gains/losses on sales of foreclosed real estate: The Company records a gain or loss from the sale of foreclosed real estate when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of foreclosed real estate to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the foreclosed real estate asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

21. Acquisition of Medina Savings and Loan Association

On September 29, 2018, the Company completed its acquisition of Medina Savings and Loan Association. MSL was a locally owned and managed institution with two locations in Orleans County, New York. The fair value of total assets acquired as a result of the merger totaled $53.5 million, loans totaled $26.7 million and deposits totaled $50.4 million. There was no goodwill recorded in the merger. The Company completed the acquisition to enhance its competitive strategic position, potential prospective business opportunities, liquidity, prospective financial condition, future earnings and business prospects.

The acquisition of MSL was accounted for as a business combination using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration paid were recorded at estimated fair values on the acquisition date.

The following table summarizes the consideration paid for MSL and the fair value of assets acquired and liabilities assumed as of the acquisition date:

Allocation of Purchase Price		
(In thousands)		
Fair value of assets acquired		
Cash and cash equivalents	$	18,832
Securities available-for-sale		5,118
Federal Home Loan Bank stock		45
Loans		26,733
Premises and equipment		678
Pension plan asset		1,245
Core depost intangible		964
Accrued interest receivable		148
Deferred income taxes		(310)
Other assets		67
Total assets	$	53,520
Fair value of liabilities assumed		
Deposits	$	50,406
Advances from borrowers for taxes and insurance		531
Borrowings		300
Other liabilities		36
Total liabilities	$	51,273
Net Assets Acquired	$	2,247
Stock price of Seneca-Cayuga Bancorp, Inc. on September 29, 2018	$	12.50
Number of Shares issued to the Mutual Holding Company		171,440
Total Consideration	$	2,143
Bargain Purchase Gain	$	104

Securities available-for-sale: The estimated fair values of the investment securities available for sale, primarily comprised of certificates of deposit, were determined using Level 2 inputs in the fair value hierarchy. The fair values were determined using independent pricing services.

Loans: Acquired loans (impaired and non-impaired) are initially recorded at their acquisition-date fair values using Level 3 inputs. Fair values are based on a discounted cash flow methodology that involves assumptions and judgments as to credit risk, expected life-time losses, environmental factors, collateral values, discount rates, expected payments and expected prepayments. Specifically, the Company engaged a third party to prepare three separate loan fair value adjustments that it believed a market participant might employ in estimating the entire fair value adjustment necessary under ASC 820-10 for the acquired loan portfolio. The three-separate fair valuation methodology employed are: 1) an interest rate loan fair value adjustment, 2) a general credit fair value adjustment, and 3) a specific credit fair value adjustment for purchased credit impaired loans subject to ASC 310-30 procedures. The credit adjustment on purchased credit impaired loans is derived in accordance with ASC 310-30 and represents the portion of the loan balances that has been deemed uncollectible based on the Company's expectations of future cash flows for each respective loan.

For all acquired loans, the interest rate loan fair value adjustment was prepared. Loans were grouped into homogeneous pools by characteristics such as loan type, term, collateral and rate. Market rates for similar loans were obtained from various internal and external data sources and reviewed for reasonableness. The average of these rates was used as the fair value interest rate a market participant would utilize. A present value approach was utilized to calculate the interest rate fair value discount of $171,000.

Additionally for loans acquired without credit deterioration, the acquired loan portfolio was grouped into three categories to be evaluated against historical loss ratios. Based on the foregoing, primarily including the relatively benign credit environment which

has prevailed resulting in limited charge-offs and loan losses, the credit adjustment was established utilizing both MSL's loss history and minimum adjustments. The levels of historical loan losses experienced by Medina, as well as peer financial institutions in-state, were minimal and as noted above, and would result in an adjustment below the level a typical market participant would apply on a purchased loan portfolio. Accordingly, to reflect a more realistic hypothetical market participant assumption in the absence of material loan losses on a recent historical basis, minimum adjustments were applied based on observations within the industry. More specifically, construction and commercial real estate loans were assigned minimum adjustments of 1.50%, while 1-4 family residential mortgage loans were assigned a minimum of 1.0%, and other commercial and industrial loans had minimum adjustments of 1.54%. For loans rated "substandard", as identified by management, an incremental adjustment of 200% above the baseline level for pass performing loan was established to account for the higher aggregate credit losses which are expected to result from the identified credit weaknesses; a similar incremental adjustment of 300% was made for TDR loans. A credit fair value discount of $319,000 was determined.

The acquired loans were recorded at fair value at the acquisition date without carryover of MSL's previously established allowance for loan losses. The table below illustrates the fair value adjustments made to the amortized cost basis in order to present a fair value of the loans acquired.

Gross amortized cost basis at merger date	$	27,223
Interest rate fair value adjustment on pools of homogeneous loans		(171)
Credit fair value adjustment on pools of homogeneous loans		(311)
Credit fair value adjustment on purchased credit impaired loans		(8)
Fair value of acquired loans at merger date	$	26,733

Both the interest rate and credit fair value adjustments related to loans acquired without evidence of credit quality deterioration will be substantially recognized as interest income on a level yield amortization method over the expected life of the loans. As of December 31, 2019 the remaining balance of the interest rate fair balance adjustment was $151,000. The remaining balance of the credit fair value discount was $274,000 at December 31, 2019.

Premises and equipment: The Company acquired two retail offices of MSL, one of which is under an operating lease with the remaining balance of leasehold improvements amortizing through the end of the lease in 2021. The majority of the value in premises was derived from the retail office in Medina, which underwent a significant renovation and building addition in 2018, prior to the merger. The cost per square foot of the new addition was applied to the existing building to estimate the current fair value of that location.

Pension plan asset: The value of the plan assets is determined by a third party actuary for the plan in accordance with the requirements of ASC 715-20 and ASC 715-30. The fair value recorded as the funded status represents the Level 2 valuation of the plan investments offset by the project benefit obligation determined by the actuary in accordance with the provisions of the plan document.

Core deposit intangible: The fair value of the core deposit intangible ("CDI") is the economic benefit that a holder of deposits could expect to realize from the deposit base versus using an alternative source of funds. The CDI analysis considered only checking, money market and savings accounts as "core deposits", many of which represent deposit relationships of lengthy duration. The valuation is determined by the present value of the difference of the net cost of the core deposit base versus the same amount of funds from an alternative funding source. The alternative funding source considered herein are brokered certificates of deposit, with the rates for specific maturities blended to correspond to the projected maturity of the core deposit base. The calculation of the fair value of the core deposit base consists of a two-step process: (1) calculating the after-tax value of core deposits in comparison to the alternative cost of funds; and (2) quantifying the tax benefits that would be realized as a result of CDI amortization.

Deferred income taxes: The transaction is treated for tax purposes as a merger and accordingly, the assets acquired and the liabilities assumed are recorded at "carryover" tax basis equal to MSL's tax carrying value immediately preceding the merger. Consequently, deferred tax assets or liabilities are required for each asset or liability for which there is a difference between carryover tax basis and fair value on the transaction date.

Deposits (including escrow): All savings and transaction accounts of MSL are subject to variable rates, and the offering rates and other characteristics of these account types are generally consistent with competitors. Such deposit funds had no maturity and could be withdrawn on short notice with no penalty. Accordingly, the fair value of such deposit accounts is considered to equal

the carrying value as of the merger date. The fair value analysis for time deposits consists of comparing the contractual cost of the time deposits to market rates with corresponding maturities. The portfolio was stratified based on monthly maturity through August 31, 2028. Cash flows were calculated representing interest payments to account holders based on the contract and market rates. The valuation adjustment of $56,000 reflects the present value of the difference of the cash flows based on the contract and market rates. The remaining balance of the valuation adjustment at December 31, 2019 is $47,000.

Borrowings: Carrying value on the date of acquisition was determined to be fair value.

Acquisition-Related Expenses: Acquisition-related expenses incurred by the Company associated with the acquisition of MSL were $294,000 for year ended December 31, 2018. Such costs include legal and accounting fees, which have been expensed as incurred. Contract termination expenses, system conversion, and operations integration occurred in 2019, when the operational conversion took place. The total cost of conversion was $465,200. Based on the breakdown of the costs, if costs were determined to be a termination fees, de-conversion of data or other expenses related to the management of the conversion project they were recorded to expense and amounted to $175,300 for the year ended December 31, 2019. Those costs that were associated with expanding the current computer system to accommodate new products and services for Medina customers were capitalized and will be amortized over the remaining life of our system contract. The capitalized portion of conversion costs was $289,900.

22. 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 2019 or 2018.

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

of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's assets and liabilities at December 31, 2019 and December 31, 2018.

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. In 2019, the Company purchased municipal bonds from local government entities. Since these deals were constructed between the Company and the small local government entities, they have not been evaluated by a third party service, and there was no discernable market for these investments. As such, it is assumed that the carrying value approximated fair value (Level 3).

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

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

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

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

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

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 market value that is deemed to represent the transfer price if the liability were assumed by a third party.

Subordinated Debt: The market for this liability is inactive. As such, management is unable to determine a good estimate of fair value. It is assumed that the carrying value approximates fair value.

The following table presents a comparison of the carrying amount and estimated fair value of the Company's financial instruments as of December 31:

	2019				
(In thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Financial assets:					
Cash and cash equivalents	$ 13,448	$ 13,448	$ -	$ -	$ 13,448
Securities available-for-sale	30,627	-	28,115	2,512	30,627
Securities held-to-maturity	2,078	-	2,110	-	2,110
Equity securities	2,579	2,579	-	-	2,579
Loans receivable	259,620	-	-	262,929	262,929
Federal Home Loan Bank of New York stock	2,267	-	2,267	-	2,267
Accrued interest receivable	1,215	1,215	-	-	1,215
Financial liabilities:					
Deposits	$ 282,279	$ 64,564	$ -	$ 218,004	$ 282,568
Long-term borrowings	31,448	-	32,874	-	32,874
Subordinated debt	735	-	-	735	735
Accrued interest payable	104	104	-	-	104

	2018				
(In thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Financial assets:					
Cash and cash equivalents	$ 9,135	$ 9,135	$ -	$ -	$ 9,135
Securities available-for-sale	11,726	-	11,726	-	11,726
Securities held-to-maturity	2,764	-	2,821	-	2,821
Equity securities	10,902	10,902	-	-	10,902
Loans receivable	244,100	-	-	242,480	242,480
Federal Home Loan Bank of New York stock	2,087	-	2,087	-	2,087
Accrued interest receivable	1,046	1,046	-	-	1,046
Financial liabilities:					
Deposits	$ 259,609	$ 63,895	$ -	$ 193,970	$ 257,865
Short-term borrowings	1,000	-	1,002	-	1,002
Long-term borrowings	24,569	-	25,007	-	25,007
Subordinated debt	735	-	-	735	735
Accrued interest payable	91	91	-	-	91

The following tables summarize assets measured at fair value on a recurring basis as of December 31, segregated by the level of valuation inputs within the hierarchy utilized to measure fair value:

	At December 31, 2019			
(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	$ -	$ 50	$ -	$ 50
Municipal bonds	-	28,065	2,512	30,577
Equity investment securities:				
Large cap equity mutual fund	31	-	-	31
Other mutual funds	2,548	-	-	2,548
Total investment securities	$ 2,579	$ 28,115	$ 2,512	$ 33,206

	At December 31, 2018			
(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	$ -	$ 1,404	$ -	$ 1,404
Residential mortgage-backed - private label	-	306	-	306
Municipal bonds	-	10,016	-	10,016
Equity investment securities:				
Large cap equity mutual fund	24	-	-	24
Other mutual funds	10,878	-	-	10,878
Total investment securities	$ 10,902	$ 11,726	$ -	$ 22,628

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

(In thousands)		Investment Securities
Balance - January 1, 2019	$	-
Total gains realized/unrealized:		
Included in earnings		-
Included in other comprehensive income		-
Purchases		2,528
Principal payments		(16)
Sales		-
Balance - December 31, 2019	$	2,512
Balance - January 1, 2018	$	537
Total gains realized/unrealized:		
Included in earnings		-
Included in other comprehensive income		-
Settlements		-
Principal payments		(537)
Sales		-
Balance - December 31, 2018	$	-

In 2019, the Company purchased municipal bonds from local government entities and those bonds are being held in the Company's vault. The Company receives scheduled principal and interest payments from the municipalities based on the terms of the bonds. Since there was no discernable market for these investments, management is unable to determine a good estimate of fair value. As such, it is assumed that the carrying value approximated fair value (Level 3).

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 as of December 31, segregated by the level of valuation inputs within the hierarchy utilized to measure fair value:

	2019			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Impaired loans	**$ -**	$ -	$ 565	$ 565
Foreclosed real estate & repossessed assets	-	-	70	70

	2018			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Impaired loans	**$ -**	$ -	$ 1,514	$ 1,514
Foreclosed real estate & repossessed assets	-	-	50	50

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

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a nonrecurring basis at December 31, 2019:

	Quantitative Information about Level 3 Fair Value Measurements		
	Valuation Techniques	**Unobservable Input**	**Range (Weighted Avg.)**
Impaired loans - 1-4 family residential	Appraisal of collateral	Appraisal Adjustments	5% - 35% (20%)
		Costs to Sell	5% - 15% (10%)
Impaired loans - Commercial real estate	Appraisal of collateral	Appraisal Adjustments	5% - 35% (25%)
		Changes in property condition	10% - 20% (15%)
		Costs to Sell	5% - 15% (10%)
Impaired loans - Other commercial and industrial	USDA Guarantee	Government guaranteed portion	20% (20%)
Foreclosed real estate and repossessed assets -	Appraisal of collateral	Appraisal Adjustments	5% - 35% (25%)
		Changes in property condition	10% - 20% (15%)
		Costs to Sell	5% - 15% (10%)

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

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

23. Parent Company Only Financial Information

The following presents the condensed financial information pertaining only to Seneca-Cayuga Bancorp, Inc. as of and for the years ended December 31:

Statements of Condition

(In thousands)	2019	2018
Assets		
Cash and cash equivalents	$ 172	$ 303
Securities available-for-sale, at fair value	8	7
Investment in bank subsidiary	29,068	28,155
Note receivable - ESOP	120	196
Other assets	-	5
Total assets	$ 29,368	$ 28,666
Liabilities and Shareholders' Equity		
Note payable to Bank	$ 430	$ 408
Subordinated debt	735	735
Deferred tax liability	272	427
Other liabilities	83	110
Shareholders' equity	27,848	26,986
Total liabilities and shareholders' equity	$ 29,368	$ 28,666

Statements of Operations

(In thousands)	2019	2018
Income		
Dividends from securities available-for-sale	$ 1	$ 7
Interest income	11	12
Other noninterest income	1	102
Total income	13	121
Expenses		
Interest expense	81	73
Other expenses	99	248
Total expenses	180	321
Loss before taxes and equity in undistributed net income (loss) of bank subsidiary	(167)	(200)
Income tax expense (benefit)	(155)	-
Loss before equity in undistributed net income (loss) of bank subsidiary	(12)	(200)
Equity in undistributed net income (loss) of bank subsidiary	99	(566)
Net income (loss)	$ 87	$ (766)

Statements of Cash Flows

(In thousands)	2019	2018
Operating Activities		
Net income (loss)	$ 87	$ (766)
Equity in undistributed net income (loss) of bank subsidiary	(99)	566
Net change in other assets	6	73
Net change in other liabilities	(182)	86
Net cash used in operating activities	(188)	(41)
Investing Activities		
Proceeds from the sale of investment securities available-for-sale	-	1,607
Repayments received on ESOP note	76	73
Net cash provided by investing activities	76	1,680
Financing activities		
Net proceeds from (repayment of) advances on note payable	22	(1,361)
Treasury stock purchases	(41)	(11)
Net cash used in financing activities	(19)	(1,372)
Net change in cash and cash equivalents	(131)	267
Cash and cash equivalents at beginning of year	303	36
Cash and cash equivalents at end of year	$ 172	$ 303

24. Segment Information

The Company has three primary business segments, its community banking franchise, its insurance agency and a limited-purpose commercial bank, which opened for business in 2019 to provide municipal banking services.

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

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

The municipal banking segment is a New York State chartered limited-purpose commercial bank formed expressly to enable local municipalities, primarily within the Finger Lakes Region and Northwest New York State, to deposit public funds with the Commercial Bank in accordance with existing NYS municipal law. The Commercial Bank opened for business on January 2, 2019 and is a wholly owned subsidiary of the Bank. The major revenue source is net interest income. Expenses include personnel, rent and support charges for using the assets and technology of the Bank.

Information about the segments is presented in the following table as of and for the years ended December 31:

	2019				2018		
(In thousands)	Community Banking Activities	Insurance Activities	Municipal Banking Activities	Total	Community Banking Activities	Insurance Activities	Total
Net interest income	$ 9,553	$ 21	$ 28	$ 9,602	$ 8,954	$ 33	$ 8,987
Provision for loan losses	360	-	-	360	175	-	175
Net interest income after provision for loan losses	9,193	21	28	9,242	8,779	33	8,812
Total noninterest income	2,736	811	-	3,547	1,688	872	2,560
Compensation and benefits	(5,669)	(412)	(56)	(6,137)	(5,582)	(512)	(6,094)
Other noninterest expense	(6,412)	(242)	(66)	(6,720)	(6,027)	(163)	(6,190)
(Loss) income before income taxes	(152)	178	(94)	(68)	(1,142)	230	(912)
Provision for income taxes	(155)	-	-	(155)	(146)	-	(146)
Net (loss) income	$ 3	$ 178	$ (94)	$ 87	$ (996)	$ 230	$ (766)
Total assets	$ 337,154	$ 2,328	$ 46,067	$ 385,549	$ 318,036	$ 2,203	$ 320,239

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

(In thousands)	2019	2018
Total assets for reportable segments	$ 385,549	$ 320,239
Elimination of intercompany balances	(38,382)	(2,459)
Consolidated total assets	$ 347,167	$ 317,780

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

25. Subsequent Events

The Company has evaluated subsequent events through March 30, 2020, which is the date the consolidated financial statements were available for issuance. The United States, as well as many countries around the world, are presently in the midst of a global health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID – 19 on a global, national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Company and its future results and financial position is not presently determinable.

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