2020 ANNUAL REPORT

GLENVILLE BANK HOLDING COMPANY

1st National Bank of Scotia

Scautub AGENCY SINCE 1926

First Scotia WEALTH MANAGEMENT

2020 Annual Report

Glenville Bank Holding Company, Inc. (GBHC) is a financial holding company whose principal activity is the ownership of its two wholly-owned subsidiaries, 1st National Bank of Scotia (the "Bank") and Scautub Agency, LLC (the "Agency"). The consolidated financial statements include accounts of the GBHC, the Bank and the Agency, after elimination of intercompany transactions.

We understand how important good service is to delivering customer satisfaction and are pleased to have been serving the local community since the 1920's. 1st National Bank of Scotia and Scautub Agency, LLC offer a wide range of banking and insurance services to meet all your financial needs. A friendly officer or customer service specialist will be happy to answer your questions or discuss your needs.

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Report of the Chairman and President

Dear Shareholder:

We cannot express how excited we were at this time last year for the year 2020. In 2019, the bank rolled out a new service excellence model that was taking hold at a pace we never imagined, profits were at record highs, our concentrated reach into the small business community was producing terrific results, and the economy was chugging along at all-time heights. Then came COVID and with it began the 2020 we got to know and…well, not love.

Last March the world changed with the emergence of the COVID-19 Pandemic and declarations of State of Emergencies all over the world. It was a year of tragedy and isolation with extraordinary loss and fear for so many friends, families and neighbors. Even though what was occurring was unprecedented, your bank was prepared and well trained for this type of situation. Without solid information on the communicability of the virus, we quickly implemented protocols to protect our staff and customers as best as possible. As a result, your bank became the first bank in our region to move to a drive-up only model. Inside the bank, we immediately began social distancing and required masks before the state issued mandate. Where we could not provide a socially distance workspace, we began a well-executed and cyber-safe remote work program.

For the first few months of the pandemic workplace model, our staff worked tirelessly, seven days a week, to ensure our employees had a safe work environment and our customers a safe and secure way to conduct business with us. Every single member of our staff knew the importance of the role they played in our local economy and persevered. We are truly inspired by the selfless efforts of our dedicated people – from providing $42 million in small business PPP loans, to volunteering at local food banks, making courtesy calls to customers, and many other acts of kindness. It's no wonder that the customer satisfaction and loyalty surveys we conducted last year showed that our customer loyalty levels rivaled some of the world's most respected companies, like Apple. We have been there for our customers from day one of this pandemic and will continue to be here for them long after this virus is a distant memory.

Despite the difficulties of last year, 2020 was financially successful due to the dedication and ingenuity of the people who work at your bank, and the leadership of our Board of Directors. Although we had a great plan for the year, the route we took to success was more like losing your map out the window at the beginning of a cross-country trip. Yet by using creativity and intuition, ending up at your planned destination. Last year produced the second best financial results in our history, with bank profits at $3.217 million. We were able to continue the increased dividends from 2019 into 2020 and saw our deposits soar by nearly 29%, leaping us from just below the $500 million level to briefly over the $600 million level. Truly stunning growth. We attribute this to our enhanced service excellence model and the yearlong small business outreach.

With the chaos and uncertainty of 2020 solidly behind us, we find ourselves in 2021 with renewed hope and excitement for an end to the pandemic. 2020 was the year of fear, the unknown and of people telling us we are still on mute. This year will be a year of change for the Glenville Bank Holding Company and its subsidiaries, 1st National Bank of Scotia and the Scautub Agency. We will see changes in board leadership, bank technology and an increasingly aggressive regulatory regime, all of which we are well prepared to handle.

Report of the Chairman and President

David Schweizer, a member of the GBHC and 1st National Board of Directors, is retiring after 41 years of service. David fearlessly joined the board in 1980, at a time of great difficulty for your bank. At a time when others would have distanced themselves from the fight, he jumped in headfirst and was part of the team of leaders that kept this bank independent and serving the community over 40 years later. As long time Board Audit Committee Chair, David has been able to establish a collaborative relationship between the Audit staff and bank departments. Additionally, he has established a comprehensive training program for Audit staff that enabled the bank to seamlessly transition to a new auditor. Brian Borini took the helm, when our previous Auditor, Joan O'Brien retired in early 2020 after a 46 year career. Although David is retiring from the Board, he will continue his active life as a Realtor for Roohan Realty in Saratoga Springs. We are forever grateful to David for his commitment to the bank and community and wish him and his wife Carol well in retirement.

We also are pleased to announce that Robert J. Dieterich of Glenville, Executive Vice President and CFO of the bank and holding company has been nominated to stand for election to the GBHC Board. Bob has worked for the bank for 28 years and came to the bank with a background in wealth management. A 10-year veteran of the Air National Guard, having served multiple deployments, Bob will bring not only financial expertise but also disciplined leadership that will serve your company well.

The holding company board intends to nominate two new members to the bank board and one to the Scautub board. Karl Sindel of Colonie, a nominee for the bank board, joins us from a 30+ year career in Information Technology with General Electric. Prior to his recent retirement from GE, he served as a Senior IT Director for several businesses and functions of the company, and left to grow his family's real estate business as a licensed salesperson. A long-time customer and shareholder, Karl will offer significant information technology experience to the board as well as contacts from his community involvement and real estate business. Lynn Roche of Saratoga, a nominee for the bank board, will join us after a successful 30+ year career as a senior executive for FIS, who led the Banking and Wealth Division of a Fortune 100 worldwide provider of processing and technology products for the financial services industry. Although Lynn's duties as an Executive Vice President with FIS have taken her around the world, her financial service roots run back to Northeast Savings Bank in Schenectady and the FIS predecessor Alltel's Albany Data Center. A longtime customer of the bank, she also will be among three generations of her family to be a part of this bank. Lynn brings expertise in operational efficiency, customer service, and financial technology innovation that will benefit the bank. She is currently a board member of several FinTech innovation companies serving the banking industry.

Kelly A. Gibbons, Senior Vice President and Retail Banking Manager at the bank joined the Scautub board in January and is up for election to a full term. Kelly has been with the bank in the retail operations area for 28 years and brings a depth of knowledge in customer development and operational efficiency to the board. Also at the January Scautub Board meeting, Steven Heider was appointed Chairman of the Scautub Board, replacing John Buhrmaster who retired from the insurance subsidiary board after 10 years of service. Steven is owner of Northway Residential Services, retired Town of Colonie Police Chief, and a member of the Albany Airport Authority Board.

Report of the Chairman and President

One of the most dramatic changes occurring at the bank in 2021 is the replacement of our core banking system. The new systems we are installing will be anchored by FIS's most recent community bank core system, and for the first time since 1967 will not be based in Scotia. The last time we outsourced our core banking system was from 1961 to 1967 when we participated in a pilot program by GE's Schenectady Division, and became the first bank in the nation to convert our savings passbooks to statement savings accounts. With our new core banking system, we expect to continue our role as a leader in our industry, providing our customers with the latest in banking technology.

The final change we wish to announce is the formation of an Advisory Board for the bank. The bank board identified seven outstanding business and community leaders to assist us with keeping abreast of the local economy and the needs of small businesses within our market area. With the need to add more technology and innovation expertise to our bank board, we wanted to be sure we remained responsive to local trends and felt an advisory board was most appropriate. We have assembled a dynamic team and look forward to working together.

We are proud to say that these changes represent the continued investment in the future of the bank and insurance company. We have a strong and youthful core of leaders at the bank that showed their strength over the past year. Combined with the strong finances of your companies, we feel we are well positioned to succeed in this newly reorganized economy.

Thank you to all of our loyal Shareholders, Customers, Directors, and Employees that make it possible to keep this community vibrant and make people's lives better.

L.H. Buhrmaster	**John H. Buhrmaster**
Chairman of the Board	**President & CEO**

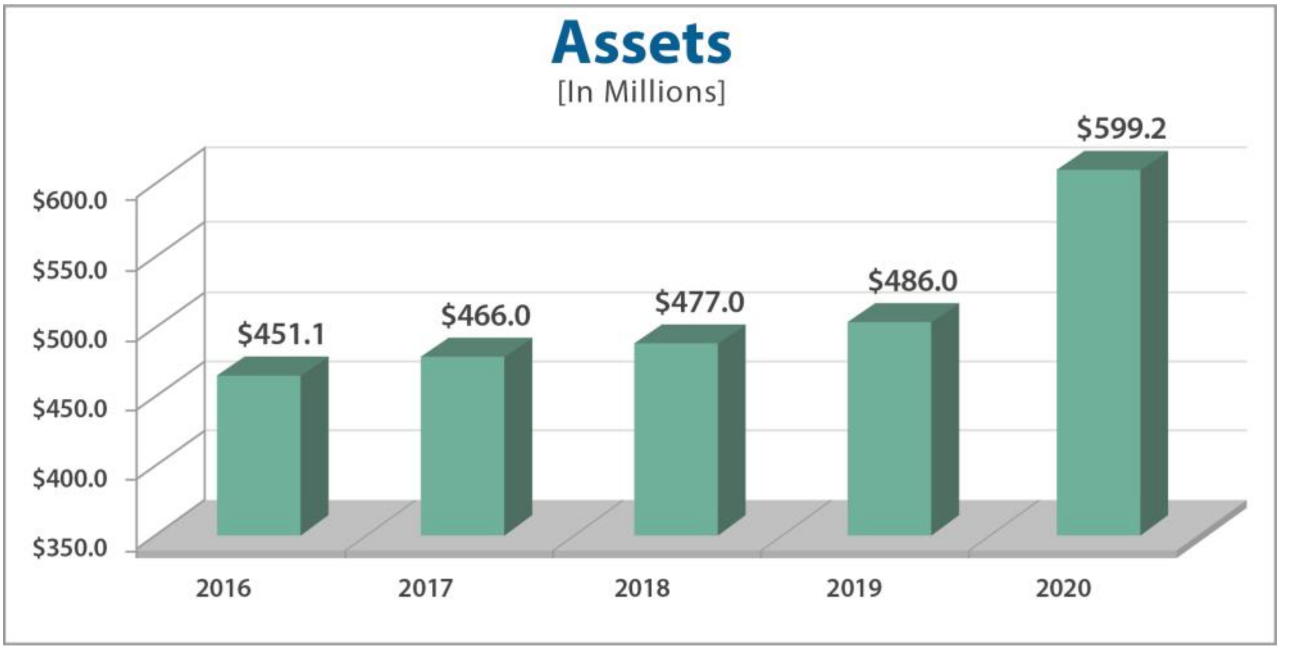
Financial Highlights - Bank Only

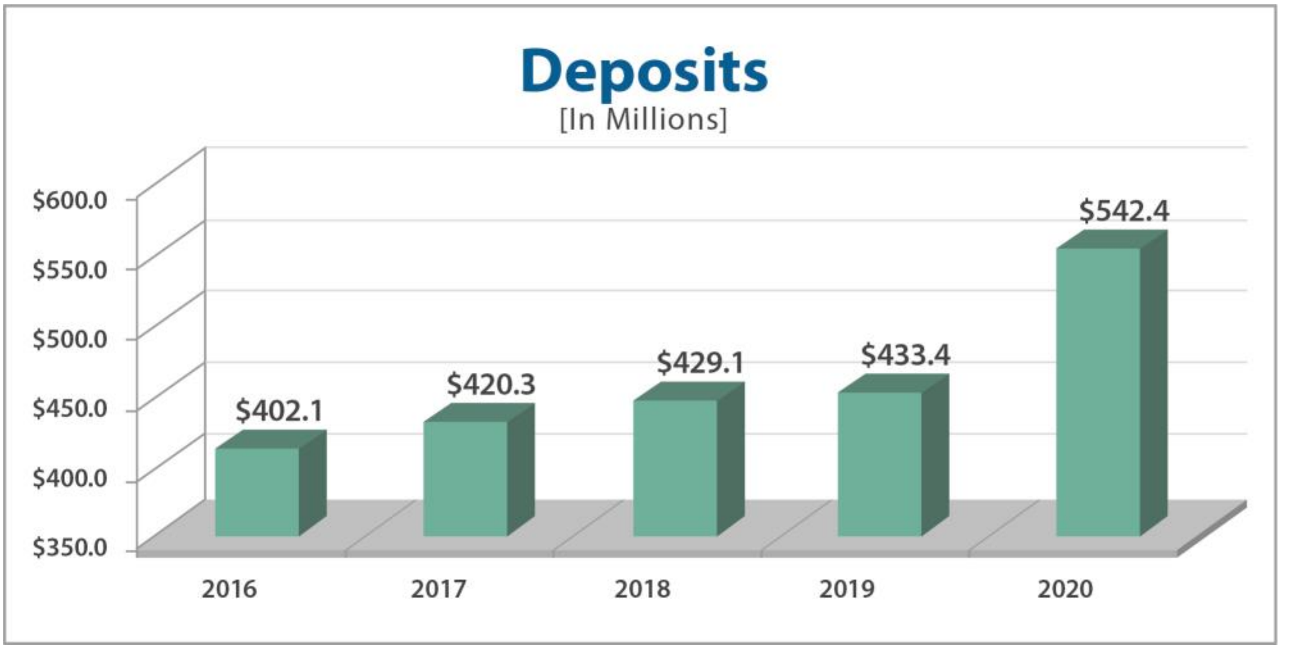
(all figures in thousands except per share, percentage & office figures)

As of December 31,	2020	2019
Net Income	$ 3,217	$ 3,430
Basic earnings per share	$ 16.07	$ 17.17
Balance sheet:		
Loans, net of unearned income	$ 431,595	$ 413,903
Less: Allowance for loan losses	$ (5,401)	$ (4,605)
Total assets	$ 596,844	$ 483,215
Total deposits	$ 544,875	$ 435,425
Shareholders' equity	$ 41,764	$ 39,017
Ratios:		
Return on average assets	0.58%	0.71%
Return on average equity	7.98%	9.18%
Net interest margin	3.44%	3.82%
Loans to deposits	79.21%	95.06%
Tier I leverage	7.43%	8.68%
Risk-based capital	12.74%	12.10%
Allowance for loan losses to loans	1.25%	1.11%
Number of banking offices	10	10

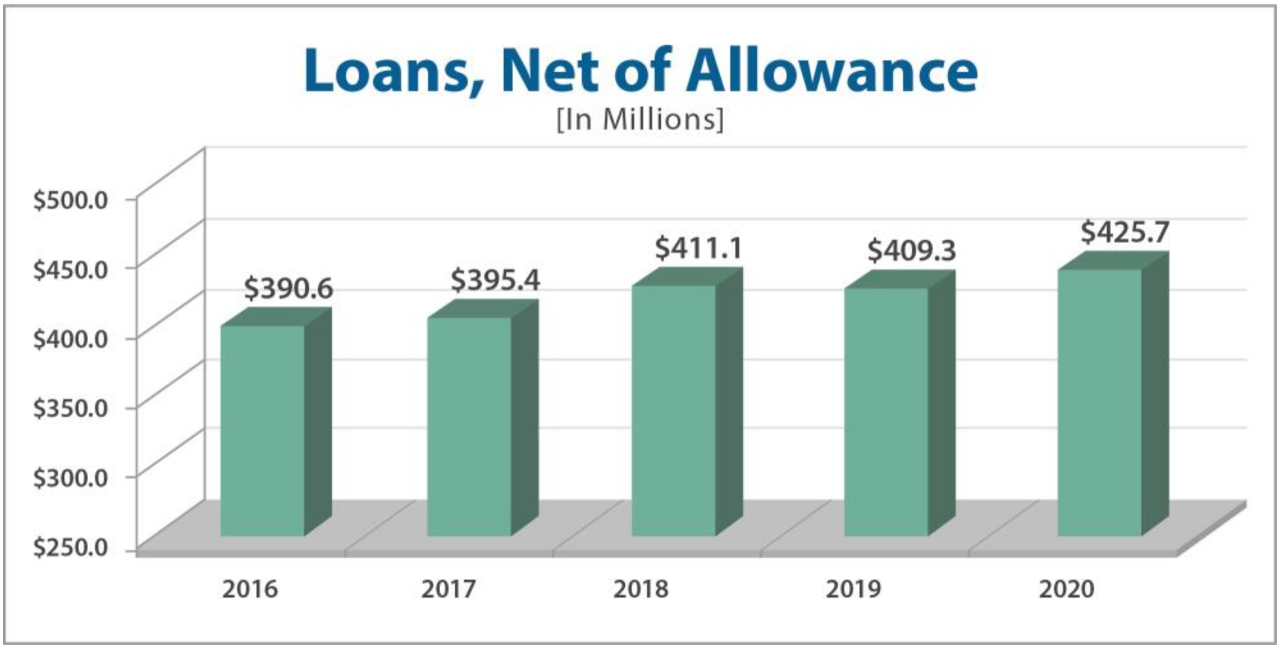
The subsequent financial statements represent the consolidated effects of the GBHC, the Bank, and the Agency.

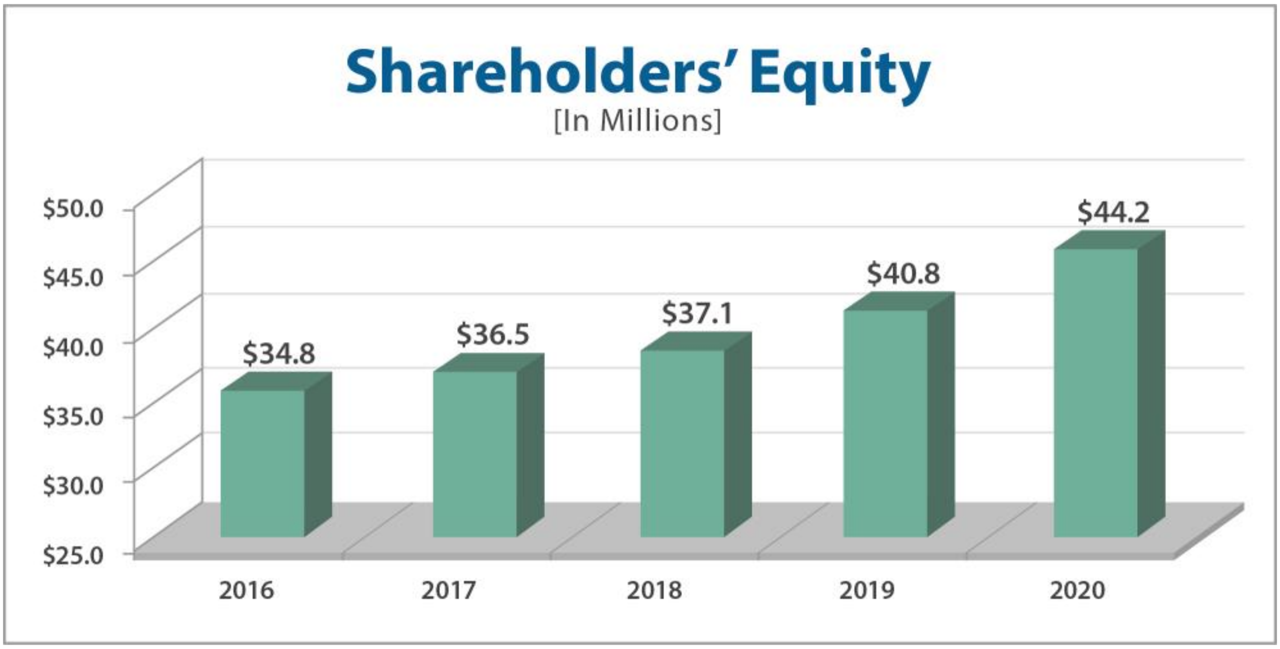
GBHC Consolidated Financial Highlights 2016-2020



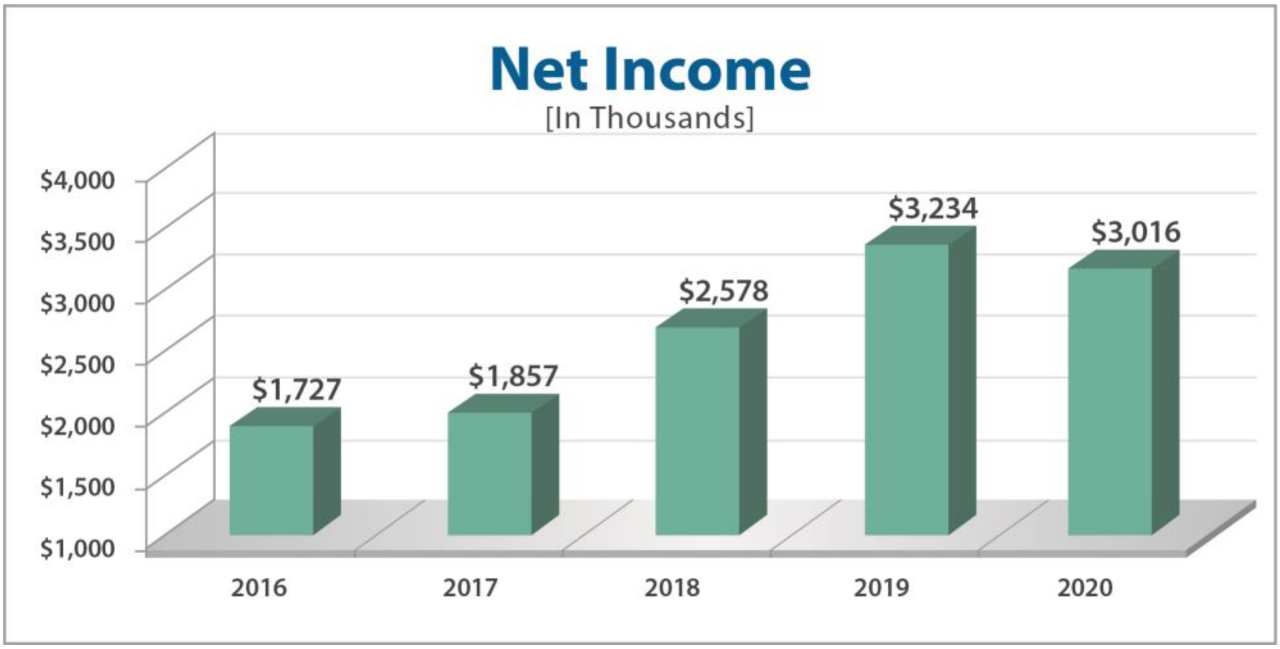


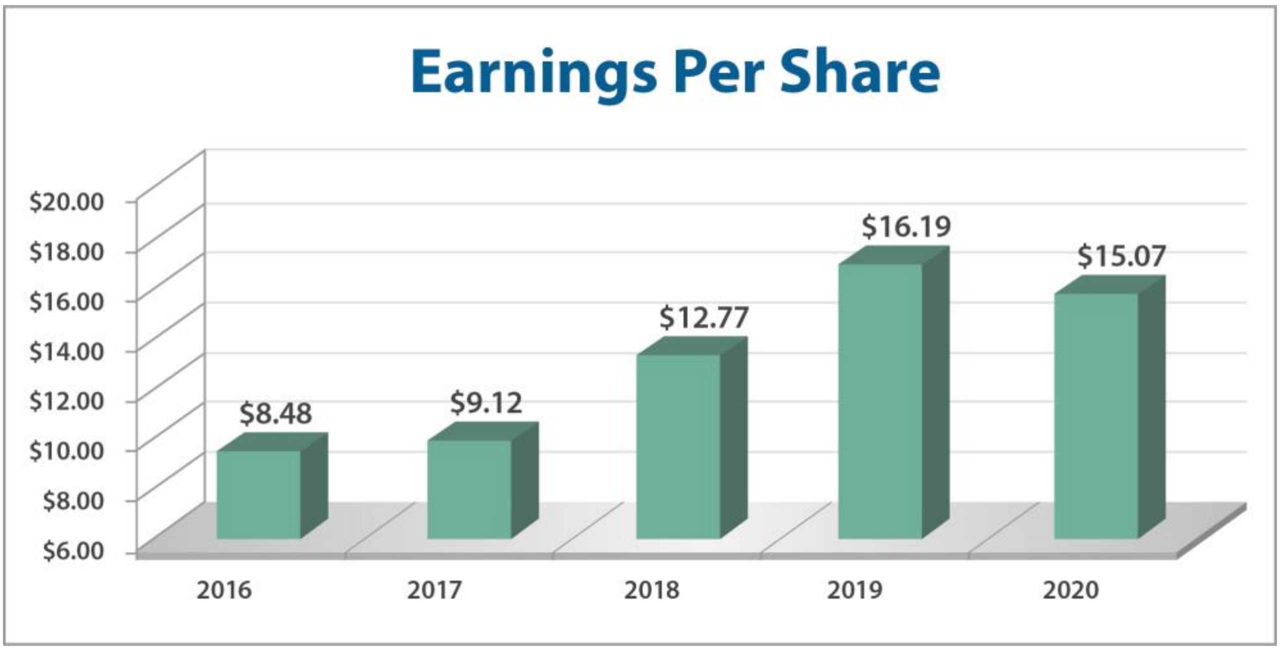
GBHC Consolidated Financial Highlights 2016-2020





GBHC Consolidated Financial Highlights 2016-2020





GBHC and 1st National Bank of Scotia Directors

L.H. Buhrmaster, *Chairman of the Board*

John H. Buhrmaster, *President & Chief Executive Officer*

Laura M. Dieterich, *Sr. Vice President & Corporate Secretary*

David D. Montana, *Lead Director*
President, Fortune Air, Inc.

David L. Schweizer, *Chairman Audit Committee*
Treasurer, Funston Wholesale Corp.
Licensed Real Estate Salesperson

Bruce W. McConnelee
Retired - Hydro Mobile
Community Liaison

Scott D. Stevens
President, Dimension Fabricators

Honorary Director
Calvin P. Welch
Retired – Senior Vice President & Cashier, 1st National Bank of Scotia

1st National Bank of Scotia Officers

L.H. Buhrmaster, Chairman

John H. Buhrmaster, President & Chief Executive Officer

Diane Smith Faubion, Executive Vice President

Robert J. Dieterich, Executive Vice President & Chief Financial Officer

Andrew T. Trainor, Sr. Vice President & Sr. Loan Officer

Laura M. Dieterich, Sr. Vice President & Corporate Secretary

Kelly A. Gibbons, Sr. Vice President of Retail Banking

Kenneth W. Swain III, Sr. Vice President of Business Banking

Christopher R. Hebbard, Sr. Vice President & Sr. Credit Officer

James J. Smith, Chief Information Officer

Brian V. Borini, Auditor

Gregory N. Phillips, Vice President

Jessica R. Petraccione, Vice President

Kevin R. Buhrmaster, Vice President

Teresa A. Freeman, Vice President

Joyce A. Poulin, Vice President

John G. Dykeman, Vice President & Controller

Amy E. Belli, Vice President

Daniel A. Centi, Vice President

O. Neil Thomas, Vice President

Nancy R. Harrigan, Vice President

Cheryl F. Hiller, Vice President, BSA & CRA Officer

Debra A. Lindsay, Assistant Vice President

Louis J. Giammatteo, Assistant Vice President

Karen E. Ballester, Assistant Vice President & Marketing Officer

Lisa A. Case, Assistant Vice President

Tracey J. Kearns, Assistant Vice President & Training & Performance Officer

Cynthia A. Siatkowski, Compliance Officer

Tiziana Riccobene, Credit Operations Officer

Eric W. Bode, Indirect Lending Officer

Premnarine Jaddu, Branch Operations Officer

Kristen D. Faubion, Branch Operations Officer

Cara K. Pabon, Branch Operations Officer

Katie Jo Mohamed Ali, Branch Operations Officer

Todd J. Greive, Branch Operations Officer

Jennifer S.B. Rudolph, Branch Operations Officer

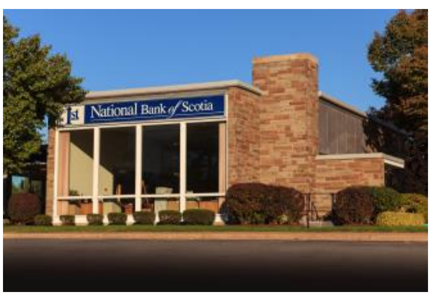
1st National Bank Retail Offices and Officers

Scotia Office
Debra A. Lindsay, *Assistant Vice President*
Kevin R. Buhrmaster*, Vice President - Area Manager*
201 Mohawk Avenue, Scotia, New York 12302
(518) 370-7200

Niskayuna Office
Premnarine Jaddu, *Branch Operations Officer*
Kevin R. Buhrmaster*, Vice President - Area Manager*
1476 Balltown Road, Schenectady, New York 12309
(518) 370-7245

Colonie Office
Todd J. Greive, *Branch Operations Officer*
Teresa A. Freeman, *Vice President - Area Manager*
1705 Central Avenue, Albany, New York 12205
(518) 370-7250

Guilderland Office
Lisa A. Case, *Assistant Vice President*
Teresa A. Freeman *, Vice President - Area Manager*
8 New Karner Road at Route 20, Guilderland, New York 12084
(518) 370-7255



Glenville Office
Cara K. Pabon, *Branch Operations Officer*
Kevin R. Buhrmaster*, Vice President - Area Manager*
240 Saratoga Road, Scotia, New York 12302
(518) 370-7260

Visit us at www.firstscotia.com for a complete list of products and services.

1st National Bank Retail Offices and Officers

Erie Boulevard Office
Louis J. Giammatteo, *Assistant Vice President*
Teresa A. Freeman, *Vice President - Area Manager*
120 Erie Boulevard, Schenectady, New York 12305
(518) 370-7265

Saratoga Office
Katie Jo Mohamed Ali, *Branch Operations Officer*
Kevin R. Buhrmaster, *Vice President - Area Manager*
3013 Route 50, Saratoga Springs, New York 12866
(518) 370-7270

GE Global Research Center
Premnarine Jaddu, *Branch Operations Officer*
Kevin R. Buhrmaster, *Vice President - Area Manager*
1 Research Circle, Schenectady, New York 12309
(518) 370-7217

Rotterdam Office
Jennifer S.B. Rudolph, *Branch Operations Officer*
Teresa A. Freeman , *Vice President - Area Manager*
2695 Hamburg Street, Schenectady, New York 12303
(518) 370-7285

Clifton Park Office
Kristen D. Faubion, *Branch Operations Officer*
Kevin R. Buhrmaster, *Vice President - Area Manager*
1693 Route 9, Clifton Park, New York 12065
(518) 370-7290

Visit us at www.firstscotia.com for a complete list of products and services.

Scautub Agency, LLC Directors and Officers

Steven H. Heider
Chairman of the Board

David D. Montana
President, Fortune Air, Inc.

Robert J. Dieterich
Chief Executive Officer & Corporate Secretary

Edmund J. Catalano
President

Mark D. Massaroni
Vice President

Gertrude A. Chojecki
Vice President

Kelly A. Gibbons
Director

Diane Smith Faubion
Advisory Director

Scautub AGENCY SINCE 1926

Personal Insurance

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- Home
- Umbrella Policies
- Motorcycle, ATV, Recreational Vehicles
- Boats

Business Insurance

- Business Owner's Policies
- Workers' Compensation
- New York State Disability
- Commercial Auto
- Commercial Umbrella Policies
- Cyber Security Insurance

Life Insurance

- Mortgage Protection

Principal Office: 108 North Ballston Avenue, Scotia, New York 12302
(518) 346-3427 www.scautub.com

First Scotia Wealth Management

Investment and insurance products and services are offered through INFINEX INVESTMENTS, INC. Member FINRA/SIPC. First Scotia Wealth Management is a trade name of the bank. Infinex and the bank are not affiliated.

First Scotia WEALTH MANAGEMENT

What sets us apart from other Wealth Management Advisors? We listen. We take the time to get to know you, your goals and your life. We give you the information you need to make choices that make sense for you. Our tenured advisors are devoted to earning your trust. You are our priority…**because relationships matter!**

Cynthia Powell, INFINEX *Financial Advisor/Program Manager*
Located at the 1st National Bank of Scotia Niskayuna Office
1476 Balltown Road, Niskayuna, New York 12309
(518) 370-7249

Paul Cardone, INFINEX *Financial Advisor*
Located at the 1st National Bank of Scotia Clifton Park Office
1693 Route 9, Clifton Park, New York 12065
(518) 869-3169

Gregory Phillips, INFINEX *Financial Advisor*
Located at the 1st National Bank of Scotia Main Office
201 Mohawk Avenue, Scotia, New York 12302
(518) 588-2805

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Permanent Life Insurance
REITs
Retirement Plans
Term Life Insurance
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Unit Investment Trusts
Variable Annuities

Community Commitment

As our products and services continue to evolve and change, our commitment to the communities we serve remains unwavering. Each year 1st National Bank of Scotia contributes thousands of dollars to area schools, local charitable fundraisers and community events. Outside of the bank our employees spend countless hours volunteering in the community, serving on boards, working with youth, or simply collecting donations for a worthy cause. It's what we do. It's why we all work for a community bank.

Consolidated Balance Sheets

(in thousands)

At December 31,	2020	2019
Assets		
Cash and cash equivalents:		
Non-interest bearing balances, currency and coin	$ 10,247	$ 6,378
Interest-bearing balances due from financial institutions	79,850	19,296
Total cash and cash equivalents	90,097	25,674
Debt Securities:		
Available-for-sale	52,084	23,202
Held-to-maturity (Fair value 2020 $5,134; 2019 $4,000)	4,868	3,816
Total debt securities	56,952	27,018
Equity securities with readily determinable fair values	37	42
Loans, net of allowance: as of 2020 ($5,401), 2019 ($4,605)	425,701	409,298
Premises and equipment, net	9,250	8,953
Equity securities not readily marketable	1,173	1,153
Cash surrender value of life insurance policies	1,151	991
Goodwill	178	178
Other intangible assets, net	635	761
Other assets	14,043	11,943
Total assets	$ 599,217	$ 486,011
Liabilities		
Deposits:		
Non-interest bearing	$ 170,968	$ 122,551
Interest-bearing	371,395	310,808
Total deposits	542,363	433,359
Borrowings	2,654	3,003
Other liabilities	10,026	8,897
Total liabilities	555,043	445,259
Shareholders' Equity		
Common stock, par value $0.01; authorized 250,000 shares; issued 204,905 shares in 2020 and 2019	2	2
Outstanding 200,825 shares and 199,499 shares in 2020 and 2019, respectively		
Additional paid-in capital	23,102	23,102
Retained earnings	23,403	20,875
Accumulated other comprehensive income (loss)	(2,142)	(2,922)
Treasury stock, at cost (4,080 shares in 2020, 5,406 shares in 2019)	(353)	(462)
Total GBHC shareholders' equity	44,012	40,595
Noncontrolling interest	162	157
Total shareholders' equity	44,174	40,752
Total liabilities and shareholders' equity	$ 599,217	$ 486,011

The accompanying notes are a fundamental part of the consolidated financial statements.

Consolidated Income Statements

(in thousands)

Years ended December 31,	2020	2019
Interest and dividend income:		
Loans and related fees	$ 18,699	$ 18,060
Debt securities	683	652
Equity securities	44	58
Interest on earning balances with financial institutions	146	326
Total interest and dividend income	19,572	19,096
Interest Expense:		
Interest on deposits	946	910
Interest on Federal Home Loan Bank advances	3	109
Interest on other borrowings	142	168
Total interest expense	1,091	1,187
Net interest income	18,481	17,909
Provision for loan loss	885	660
Net interest income after provisions	17,596	17,249
Non-Interest Income:		
Insurance and brokerage commissions	1,215	1,109
Interchange fees	1,088	1,082
Service charges and fees	886	1,106
Net realized gains on sales of loans	557	182
Net realized gains (losses) on available for sale securities	58	(2)
Unrealized gains (losses) on equity securities	5	111
Other non-interest income	296	383
Total non-interest income	4,105	3,971
Non-Interest Expense:		
Salaries and employee benefits	11,069	10,614
Occupancy and equipment	2,145	2,144
Core banking data processing	1,563	1,528
Federal deposit insurance assessment	315	221
Advertising and marketing	289	265
Accounting and auditing	277	247
Other expenses	2,209	2,085
Total non-interest expense	17,867	17,104
Income before taxes	3,834	4,116
Applicable income taxes	813	877
Net income	3,021	3,239
Less: Net income attributable to noncontrolling interest	(5)	(5)
Net income attributable to GBHC shareholders	$ 3,016	$ 3,234

The accompanying notes are a fundamental part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

(in thousands)

Years ended December 31,	2020	2019
Net income	$ 3,021	$ 3,239
Other comprehensive income (loss), net of taxes		
Unrealized gains (losses) on securities, net of taxes:		
Unrealized holding gains (losses) arising during the period	294	232
Plus: reclassification adjustment (gains) losses included in net income	(47)	2
Income tax (expense) benefit during the period	(40)	(61)
Net unrealized gains (losses) on securities, net of taxes	207	173
Defined benefit pension plan gains (losses), net of taxes:		
Net gains (losses) arising during the period	954	906
Amortization of net loss included in net income	83	133
Income tax benefit (expense) during the period	(464)	(271)
Defined benefit pension plan gains (losses), net of taxes	573	768
Other comprehensive income (loss), net of taxes	780	941
Comprehensive income	3,801	4,180
Comprehensive income attributable to noncontrolling interest	(5)	(5)
Comprehensive income attributable to GBHC	$ 3,796	$ 4,175

Consolidated Statements of Changes in Shareholders' Equity

(in thousands)

	Common stock and surplus	Retained earnings	AOCI	Treasury stock	Non-controlling interest	Total shareholders' equity
Balance, January 1, 2019	$ 23,104	$ 18,131	$ (3,863)	$ (409)	$ 152	$ 37,115
Net income	-	3,234	-	-	5	3,239
Dividends declared ($2.45 per share)	-	(490)	-	-	-	(490)
Purchase of treasury stock (595 net shares)	-	-	-	(53)	-	(53)
OCI, net of taxes	-	-	941	-	-	941
Balance, December 31, 2019	23,104	20,875	(2,922)	(462)	157	40,752
Net income	-	3,016	-	-	5	3,021
Dividends declared ($2.45 per share)	-	(488)	-	-	-	(488)
Issuance of treasury Stock (1,326 net shares)	-	-	-	109	-	109
OCI, net of taxes	-	-	780	-	-	780
Balance, December 31, 2020	$ 23,104	$ 23,403	$ (2,142)	$ (353)	$ 162	$ 44,174

Consolidated Statements of Cash Flows

(in thousands)

Years ended December 31,	2020	2019
Cash flows from operating activities:		
Net income	$ 3,016	$ 3,234
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	836	779
Provision for loan losses and other contingencies	1,005	780
Amortization of intangible assets	242	161
Net premium amortization (accretion) on securities	230	(38)
Amortization of deferred loan (fees) costs	(771)	198
Amortization of pension losses from AOCI	83	133
Deferred tax expense (benefit)	40	7
Unrealized (gains) losses on equity securities	(5)	(111)
(Gain) Loss on sale of available for sale securities	(58)	2
(Gain) on sale of loans held for sale	(552)	(177)
Proceeds from sales of loans held for sale	17,224	9,843
Loans originated and held for sale	(16,672)	(9,666)
Earnings from cash surrender value life insurance policies	(16)	(13)
Net change in other assets and liabilities	(935)	(260)
Net cash provided by (used in) operating activities	3,667	4,872
Cash flows from investing activities:		
Proceeds from maturities and calls AFS	14,100	46,547
Proceeds from maturities and calls HTM	2,132	1,525
Proceeds from sales of investment securities AFS	2,127	5,997
Purchases of investment securities AFS	(45,022)	(52,281)
Purchases of investment securities HTM	(3,184)	(2,193)
Proceeds from real estate acquired through foreclosure	-	134
Cash proceeds from sale of equity securities	-	241
Net purchases of not readily marketable stock	(23)	(20)
Net change in loans for (originations) payback	(16,517)	981
Capital expenditures	(1,133)	(1,521)
Net cash provided by (used in) investing activities	(47,520)	(590)
Cash flows from financing activities:		
Net increase in deposits	109,004	4,231
Repayment of borrowings	(349)	(315)
Dividends paid	(488)	(490)
Net issuances (purchases) of treasury stock	109	(53)
Net cash provided by (used in) financing activities	108,276	3,373
Net change in cash and cash equivalents	64,423	7,655
Cash and cash equivalents at beginning of year	25,674	18,019
Cash and cash equivalents at end of year	$ 90,097	$ 25,674

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for:		
Interest	1,267	975
Income taxes	1,240	665

Notes to Consolidated Financial Statements

(1) Nature of Operations

Nature of Operations: The Glenville Bank Holding Company (GBHC), and its subsidiaries (collectively referred to as the "Company"), is a financial holding company. Through its bank subsidiary, 1st National Bank of Scotia (the "Bank"), and its insurance subsidiary, Scautub Agency, LLC (the "Agency"), the Company provides a variety of banking and insurance services to individuals and corporate customers in Schenectady County, as well as parts of Saratoga, Fulton, Montgomery and Albany Counties. Our ten offices, and insurance office, serve these five adjacent counties. The Company's most significant source of revenue is through loans, particularly real estate and auto loans to consumers and small businesses. The Bank's contributes over 95% of the consolidated revenue on the statement of Income. The Bank is a nationally charted commercial bank subject to regulation by the Office of the Comptroller of the Currency (OCC). The GBHC is subject to regulation by the Federal Reserve Bank (FRB) of New York. The Agency is subject to insurance regulation by New York State Department of Financial Services, and other insurance regulators in the states of Vermont, New Jersey, and Florida.

(2) Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of GBHC, the Bank, and the Agency subsidiaries. All significant intercompany balances and transactions have-been eliminated.

Audit Requirements: The consolidated financial statements and related footnotes presented are unaudited. Audited financial statements are required for Insured Depository Institutions (IDIs) per Section 36 and Part 363 of the Federal Deposit Insurance Act normally when the prior year assets exceed $500 million. Due to COVID-19, the FDIC published an interim Final Rule to extend this audit requirement. Starting as of year ending 2021, IDIs will be allowed to use December 31, 2019 assets to determine the asset threshold instead of the prior year end. This in effect extends the first required audit to year end 2022.

Use of Estimates: The accounting and reporting policies of the Company and its subsidiaries conform to accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Entity classification: The Company does not meet the criteria as Public Business entity as outlined in GAAP; therefore, we are following financial reporting guidance as required for Private companies.

Reclassifications: Certain reclassifications have-been made to the prior year consolidated financial statements to conform to the current year presentation.

Statement of Cash Flows: In the statement of cash flows, the Corporation has elected to report all cash receipts and cash payments for deposit and lending activities on a net basis, instead of reporting gross. We have also elected not to include near term maturities of Investment securities as cash and cash equivalents. All Investment securities cash flows are reported in the Investing section. Both of these elections are permitted within GAAP. We include as cash and cash equivalents the following: cash on hand, cash items in process of collection, balances due from correspondent banks, and interest-bearing balances due from the FRB.

(2) Summary of Significant Accounting Policies (continued)

Cash restrictions and due from bank accounts: The Bank is normally required to maintain deposit reserve balances with the FRB; however, due to the COVID-19 pandemic the FRB board reduced reserve requirement ratios to zero percent effective March 26, 2020 for all depository institutions. As of December 31, 2019, the required reserve balances amounted to $718,000. The Bank also maintains several due from bank accounts with correspondent financial institutions, which are each insured up to the FDIC insurance limit of $250,000. The amount of cash with these financial institutions in excess of the insured amount as of December 31, 2020 and 2019, is $1,534,000 and $558,000, respectively.

Investment in Debt Securities: The Company classifies debt securities into one of two categories: held-to-maturity (HTM) or available-for-sale (AFS). Trading securities are investments purchased and held with intention of selling them in the near term. These securities are required to be reported at fair value with changes in fair value recorded in earnings. The Company did not hold any trading securities for either the current year or prior year.

Below is an accounting summary of the basic classifications and accounting treatment of debt securities:

Held-to-maturity securities (HTM) – includes debt securities that the Company has the positive intent and ability to hold to the maturity date. These securities are reported at amortized cost in the consolidated balance sheets. Unrealized holding gains and losses are not included in earnings or in a separate component of stockholders' equity; instead, these amounts are disclosed in the notes to the consolidated financial statements.

Available-for-sale securities (AFS) includes debt securities not classified as either held-to-maturity securities or trading securities. These securities are reported at fair value in the consolidated balance sheets, with unrealized holding gains and losses excluded from earnings and reported separately through accumulated other comprehensive income (loss), net of deferred income taxes.

Purchase premiums or discounts on debt securities are recognized in interest income using the straight-line method to the contractual maturity date. If a security is sold or is called prior to the maturity date, any unamortized premium or discount is recognized immediately in interest income in the month of call or sale date. Gains and losses on the sale of securities are computed using the specific identification method. All investment transactions, including gains and losses, are recorded on the settlement date.

Other-than temporary impairment (OTTI) – are credit related declines in the fair value of AFS or HTM securities that are reflected in earnings as realized losses if management determines the existence of OTTI. Management considers the following when estimating any OTTI losses: (1) the length of time and the extent to which the fair value has been lower than amortized cost if over one year, (2) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value and (3) whether the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost basis. If a credit-related impairment occurs, this amount will be measured as the difference between the security's amortized cost basis and the present value of expected future cash flows discounted at the security's effective yield prior to recognition of OTTI determined annually. If there is any portion of OTTI due to factors other than credit, this amount is recorded in other comprehensive income (loss). The Company has no OTTI for either the current or prior year and has no credit loss experience on any of its debt securities.

(2) Summary of Significant Accounting Policies (continued)

Readily Marketable Equity Securities: Marketable equity securities are carried at fair value in the consolidated balance sheets with unrealized gains and losses included in net income.

Non-Marketable Equity Securities: The Bank owns several equity securities that are classified as non-marketable. These equity investments, which are required as a condition of membership, include the Federal Home Loan Bank of New York (FHLBNY), the Federal Reserve Bank (FRB) of New York, and Atlantic Community Bankers Bank (ACBB). Also included in non-marketable equity securities is stock ownership in Senior Housing Crime Stopper Preferred shares which is used for the Bank's community reinvestment act (CRA) as qualified investments. No securities in this classification have an active market and transferability of the stocks is restricted; we are carrying these securities at amortized cost minus impairment, plus or minus changes resulting from observable price changes. Any changes to amortized cost due to impairment or price changes are included in earnings during the period of changes. Dividends earned are recognized as dividend income on the Income statement. The Senior Housing Crime Stopper preferred was originally purchased at a premium price over par. This premium is being subsequently amortized to the maturity date.

Loans: The Company grants mortgage, commercial, municipal, and consumer loans to customers. Loans that management has the intent and ability to hold to the maturity date are stated at their outstanding unpaid principal balances, less the allowance for loan losses plus net deferred loan origination costs. The ability of our loan customers to pay back their debt is highly dependent upon the real estate and general economic conditions in the market area. Interest income is generally recognized when income is earned using the simple interest method.

Loan origination fees and certain direct origination costs are deferred for longer-term loans, and the net amount is amortized as an adjustment of the related loan's yield into interest income using the straight-line method over the contractual lives of the related loans. If the loan is paid off early, any unamortized net fees and costs are written off and charged to interest income. Loan origination fees and costs for immaterial amounts determined by bank management, and for shorter term loans, are not deferred; these direct origination fees and cost amounts and are recognized into the appropriate non-interest income or expense accounts as received or incurred.

The loans receivable portfolio is segmented into commercial real estate, residential mortgage, commercial and industrial, and consumer loans. Commercial real estate includes both owner and non-owner-occupied loans with commercial real estate properties serving as collateral to protect the Bank's loan investment. The residential mortgage segment consists of one-to-four family first-lien residential mortgages and second- lien home equity loans (which include both fixed rate and adjustable rate amortizing loans and variable rate line of credit lines). Residential loans are secured by homeowner's residential property serving as collateral. Commercial loans include both fixed and variable rate loans. lines of credit, participations, and other small business commercial loans. Our consumer loan segment includes a significant concentration in the Indirect auto lending portfolio.

Allowance for Loan Losses: The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the date of the statement of condition and it is recorded as a reduction of loans. The allowance is increased by the provision for loan losses, decreased by charge-offs when loans are determined to be uncollectible, and increased for future recoveries of prior charge offs. Loans may be charged off earlier in the event of bankruptcy, or if there is an amount that is determined to be

(2) Summary of Significant Accounting Policies (continued)

uncollectible. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on three major components which are individually evaluated components for larger loans, recent historical losses and several qualitative factors applied to a general pool of loans, and an unallocated component.

The first component is the individually evaluated loans that relates to loans that are classified as impaired. For these loans, an allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan.

The second or general component covers pools of loans, by loan class, not considered impaired, smaller balance homogeneous loans, such as residential real estate, home equity and other consumer loans. These pools of loans are evaluated for loss exposure first based on historical net charge-off loss rates. The ratio of net charge-offs to loans outstanding within each product class over the most recent three years is calculated, then weighted heaviest by the most recent year. In addition, qualitative factors are added to the historical loss rates to arrive at the total allowance for loan loss needed for this general pool of loans. The qualitative factors include changes in national and local economic trends, the rate of growth in the portfolio, trends of delinquencies and nonaccrual balances, changes in loan policy, and changes in lending management experience and related staffing. Each factor is assigned a value that reflects improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. These qualitative factors, applied to each product class, make the evaluation inherently subjective, as it requires material estimates that may be susceptible to significant revision as more information becomes available. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss analysis and calculation.

The third or 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 and generally comprises less than 20% of the total allowance for loan loss.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all 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 on an individual loan basis, taking into consideration all circumstances surrounding the loan and the borrower, including the length and reason for the delay, the borrower's prior payment record and the amount of shortfall in relation to what is owed. Impairment is measured by either the present value of the expected future cash flows discounted at the loan's effective interest rate or the fair value of the underlying collateral if the loan is collateral dependent. The majority of the Company's loans utilize the fair value of the underlying collateral.

(2) Summary of Significant Accounting Policies (continued)

An allowance for loan loss is established for an impaired loan if the carrying value 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 loans secured by real estate, estimated fair values are determined primarily through independent appraisals, less costs to sell as explained in the foreclosed real estate accounting policies below.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, or any other assets provided by the loan customer, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging schedule, equipment comparables, 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 homogeneous loans are collectively evaluated for impairment when the payment history or risk characteristics are common and can be applied a common loan classification or group; this would include loan risks related to general local economic conditions such as unemployment rates and real estate valuations and not unique to a specific borrower. Loans that are related to borrowers with impaired commercial loans or are subject to a troubled debt restructuring agreement are evaluated individually for impairment.

Commercial loans whose terms are modified, outside of normal conditions, are classified as troubled debt restructurings (TDR) if the Company grants such borrowers concessions that we would not otherwise consider for similar customers with similar risk characteristics and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a TDR generally include but are not limited to a temporary reduction in the interest rate, a reduced amount of principal amount due, or an extension of a loan's stated maturity date.

TDRs do not include loan modifications related to COVID-19 if the loans were not more than 30 days past due as of December 31, 2019 and executed between March 1, 2020 and the earlier of a) 60 days after the date of termination of the National Emergency or b) December 31, 2020. This provision was included in the CARES Act within section 4013 "Temporarily Relief from Troubled Debt Restructurings" signed into law on March 27, 2020. This temporary accounting change was explained in the Federal Financial Institutions Examination Council (FFIEC) interagency statement on loan modifications issued April 7, 2020.

The allowance calculation methodology includes further evaluation of the borrower's overall financial condition, repayment sources, guarantors, and value of the collateral as need to determine the loan loss allowance adequacy.

In addition, the OCC 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.

Income Recognition on Impaired and Nonaccrual Loans: For all classes of loans receivable, the accrual of interest is generally 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

(2) Summary of Significant Accounting Policies (continued)

though the loan may be currently performing. A loan may remain on accrual status if it is either well secured or guaranteed and in the process of collection. When a loan is placed on nonaccrual status, unpaid interest is reversed and charged to interest income. Interest received on nonaccrual 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, generally six months, and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Nonaccrual 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. After any loans are brought current from non-accrual, the prior interest accrual charged off is again recognized into interest income.

For nonaccrual loans, when future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a nonaccrual 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.

Foreclosed real estate: Foreclosed real estate assets held for sale, commonly classified as other real estate owned (ORE), is initially measured on the consolidated balance sheet at the net amount (fair value minus estimated selling costs). Fair value is determined after receiving an independent property appraisal by bank employees authorized to perform real estate appraisals. After the Bank has taken possession of the property, fair value and estimated selling costs are determined, the ORE asset is recognized, and the recorded investment of the underlying loan is derecognized. Any difference is charged to the allowance for loan losses if a loss is incurred. If the ORE asset recognized is higher than the loan receivable, a gain is recorded in other non-interest income on the consolidated income statement.

Any subsequent changes to the initial fair value or selling costs are either charged or credited to the allowance for loan losses if the property is held under one year including the effects of final settlement proceeds at disposition; for any properties held over one year, any changes to fair value or selling costs are recognized as a gain or loss on ORE in other non-interest income, including any final settlement proceeds at disposition.

Selling costs are capitalized into the ORE asset when the costs are ordinary and necessary to prepare the property for resale. Any past due property taxes and insurance are included in selling costs. Non-selling costs are expensed as incurred and reported in other expenses in the consolidated statement of income. These non-selling costs may include, but are not limited to, general operating or maintenance expenses to upkeep the property.

The ORE asset is only derecognized on the balance sheet after final proceeds have been received and after other requirements have been met following the provisions within Accounting Topic 606 (Revenue from Contracts with Customers) that determine if an asset sale has occurred. If these requirements are not met, the ORE asset will continue to be recognized and any proceeds received will be reported into deposit liabilities on the consolidated balance sheet.

(2) Summary of Significant Accounting Policies (continued)

Loan Servicing: Mortgage Servicing Rights (MSRs) are recognized at estimated fair value when residential loans are sold, and servicing is retained. The MSRs are reported in other intangible assets in the consolidated balance sheet and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Management evaluates impairment annually based upon fair value The fair value estimated amount is performed independently by an external firm specializing in MSR activity and valuation, which include analysis of prices for similar assets with similar characteristics, when available, interest rate assumptions, prepayment speeds of loan payback, and using other market-based assumptions. Impairments are recognized in earnings when the estimated fair value is less than the amortized cost using a valuation account. We do not separately stratify our MSRs by unique characteristics such as interest rates or loan maturity date; instead, we use geographic location as our sole criteria to stratify our MSR assets because the underlying assets are in close proximity within our local markets served.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation. Gain or loss on any assets sold are recognized immediately when proceeds are received. An evaluation of our premises and equipment is performed annually by bank personnel to determine if any assets are either no longer used, been disposed, or are obsolete. If any assets are identified, the cost and accumulated depreciation amounts are removed, and any impairments are recognized immediately and charged to earnings. Future depreciation charges are also changed if management determines a change in accounting estimates is required due to expected life changes of active assets during this review. Any changes in accounting estimates are treated prospectively, where only future years' depreciation expenses are changed. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Goodwill and other Intangible Assets: Goodwill represents the excess cost over the fair value of the net assets acquired resulting from a business acquisition. As reported on the balance sheet, the original amount of Goodwill originates from the Company's acquisition of its insurance subsidiary Scautub Agency, LLC in 2013. The Goodwill amount is not subject to amortization due to the indefinite life of the net assets acquired. We perform a test of impairment annually. Management has determined that no impairment has occurred to date. For its other intangible assets, the Company uses assumptions in establishing the carrying value, fair value, and estimating lives of identifiable intangible assets. Customer relationships are amortized on a straight-line basis over the estimated original lives of the assets of 15 years. All other intangible assets are fully amortized as of the reporting date.

Off-Balance Sheet Credit Related Financial Instruments: In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under standby letters of credit. Such financial instruments are recorded when they are funded. We have established an accrued liability to estimate future credit losses related to unfunded credit commitments reported in other liabilities.

Comprehensive Income (Loss): Accounting Principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of equity in the statement of condition, such items, are components of comprehensive income/ (loss).

(2) Summary of Significant Accounting Policies (continued)

Accumulated other comprehensive income (loss), collectively referred to as AOCI, represents the sum of these items as of the balance sheet date and is represented in the table below (in thousands):

		12/31/2020		12/31/2019
Unrealized gain (loss) for pension obligations	$	(3,190)	$	(4,227)
Tax effect		670		1,133
Net unrealized gain (loss) for pension obligations		(2,520)		(3,094)
Unrealized gain (loss) on available-for-sale securities		479		232
Tax effect		(101)		(60)
Net unrealized gain (loss) on available-for-sale securities		378		172
Accumulated other comprehensive income (loss)	$	(2,142)	$	(2,922)

Noncontrolling Interest: Noncontrolling Interest represents the portion of ownership and profit or loss that is attributable to the minority owners of Mohglen Properties Inc. Minority shareholders currently own 20% of the Mohglen Properties. The Bank is the majority shareholder.

Advertising*:* Costs incurred for advertising are charged to other non-interest expense as incurred.

Income Taxes: The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled.

Subsequent Events: The Company has evaluated and disclosed all material subsequent events about conditions that existed as of December 31, 2020. After further review, as of February 12, 2021, the Company does not have any material subsequent events to report.

(3) Debt Securities

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity at December 31, 2020 and 2019 and the corresponding amounts of gross unrealized gains and losses:

Available-for-sale securities

(in thousands)	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2020				
U.S. governments and its agencies	$ 9,221	$ 32	$ (45)	$ 9,208
State and local government municipalities	32,787	247	(13)	33,021
Mortgage-backed securities	9,599	256	-	9,855
Total available-for-sale	$ 51,607	$ 535	$ (58)	$ 52,084
2019				
U.S. governments and its agencies	$ 10,512	$ 34	$ -	$ 10,546
State and local government municipalities	5,707	72	-	5,779
Mortgage-backed securities	6,751	126	-	6,877
Total available-for-sale	$ 22,970	$ 232	$ -	$ 23,202

Held-to-maturity securities

(in thousands)	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2020				
State and local government municipalities	$ 4,868	$ 266	$ -	$ 5,134
Total held-to-maturity	$ 4,868	$ 266	$ -	$ 5,134
2019				
State and local government municipalities	$ 3,816	$ 184	$ -	$ 4,000
Total held-to-maturity	$ 3,816	$ 184	$ -	$ 4,000

(3) Debt Securities (continued)

The following table summarizes the amortized cost and fair value of debt securities by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
(in thousands)	Amortized Cost Basis	Fair Value	Amortized Cost	Fair Value
Within one year	$ 14,781	$ 14,803	$ 2,759	$ 2,767
Due after one year through five years	12,758	12,906	929	983
Due after five years through ten years	14,034	14,082	1,180	1,384
Due after ten years	435	438	-	-
	42,008	42,229	4,868	5,134
Mortgage-backed securities	9,599	9,855	-	-
Total	$ 51,607	$ 52,084	$ 4,868	$ 5,134

At year-end 2020 and 2019, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

Securities pledged at year-end 2020 and 2019 had a carrying amount of $17,110,000 and $16,926,000 and were pledged to secure public funds on deposits.

There were $2,127,000 in sales of available for-sale securities with a realized gain of $58,000 recognized in the income statement during the year ended December 31, 2020. There were $6,000,000 in sales of available-for-sale securities with a realized loss of ($2,000) recognized in the income statement during the year ended December 31, 2019.

The Bank conducts a formal review of investment securities on a quarterly basis for the presence of other-than-temporary impairment (OTTI). The Bank assesses whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the statement of 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 anticipated to be sufficient to recover the entire amortized cost basis. The guidance requires that 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 (OCI). Non -credit-related OTTI is based on other factors, including liquidity and changes in the general interest rate environment.

(3) Debt Securities (continued)

The following tables summarizes those securities available for sale with unrealized losses, segregated by the length of time that they have been in a continuous unrealized loss position at December 31, 2020 and 2019, respectively.

(in thousands)	December 31, 2020								
	Less than 12 months			12 Months or More			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
U.S. government and its agencies	4	$ 3,433	$ (45)	-	$ -	$ -	4	$ 3,433	$ (45)
State and local government municipalities	20	7,605	(13)	-	-	-	20	7,605	(13)
Mortgage-backed securities	-	-	-	-		-	-	-	
	24	$ 11,038	$ (58)	-	$ -	$ -	24	$ 11,038	$ (58)

	December 31, 2019								
	Less than 12 months			12 Months or More			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
U.S. government and its agencies	-	$ -	$ -	-	$ -	$ -	-	$ -	$ -
State and local government municipalities	-	-	-	-	-	-	-	-	-
Mortgage-backed securities	-	-	-	-		-	-	-	
	-	$ -	$ -	-	$ -	$ -	-	$ -	$ -

Unrealized losses on investment securities result from the amortized cost basis of the security being higher than its current fair value. Unrealized losses generally occur because of changes in interest rates since the time of purchase, or because the credit quality of the issuer has deteriorated. Because the Bank has the intent and ability to hold securities with unrealized losses until a market price recovery or to the ultimate maturity of the security, the Bank does not consider any investment that is indicating an unrealized loss to be other-than temporarily impaired at December 31, 2020 or December 31, 2019.

(3) Debt Securities (continued)

Management does not believe any individual unrealized loss in other securities within the portfolio as of December 31, 2020 and 2019 represents OTTI. Most securities with unrealized losses are either a) local municipal securities that are closely monitored and have minor net loss positions under one percent or b) U.S. government or agency securities whose prices fluctuates due to interest rate changes.

These securities were not rated at the time of their issuance by a nationally recognized statistical rating organization but each security remains significantly collateralized through subordination. Therefore, no credit-related OTTI is deemed to be present. The Bank does not intend to sell any of these securities in an unrealized loss position nor will it be required to sell these securities prior to the recovery of the amortized cost.

(4) Equity Securities

Readily marketable equity security changes for 2020 and 2019:

(in thousands)

At December 31,	2020	2019
Balance at beginning of year	$ 42	$ 172
Unrealized gains (losses)	(5)	111
Less: cash proceeds from realized sales	-	(241)
Balance at end of year	$ 37	$ 42

Not readily marketable equity security changes for 2020 and 2019:

Carrying value 12/31/2019	1,153	Carrying value 12/31/2018	1,146
Premium amortization	(13)	Premium amortization	(13)
Net purchases	23	Net purchases	20
Observable price changes	10	Observable price changes	-
Carrying value 12/31/2020	1,173	Carrying value 12/31/2019	1,153
Observable price changes cumulative	10	Observable price changes cumulative	-

The Company did recognize into income observable price changes of $10,000 related to the ACBB stock ownership. We received this change in price confirmation directly from ACBB at the end of the year. This amount is reported in the income statement in unrealized gains (losses) on equity securities. There were no other price changes or impairments during the year for any not readily marketable securities.

Non-marketable equity securities carrying value consists of the following for 2020 and 2019:
(in thousands)

At December 31,	2020	2019
Senior Crime Stopper Preferred	$ 538	$ 551
Federal Reserve Bank	245	247
Federal Home Loan Bank of NY	273	248
Atlantic Community Bankers Bank Northeast	100	90
Other	17	17
Total Non-Marketable Equity Securities	$ 1,173	$ 1,153

(5) Loans and Allowance

The company's loan portfolio at December 31, 2020 and 2019 consists of the following:
(in thousands)

At December 31,	2020	2019
Commercial real estate	$ 94,193	$ 111,254
Commercial and industrial	81,147	54,750
Residential real estate	123,318	117,166
Other consumer	132,444	130,733
Total loans	431,102	413,903
Less: allowance for loan loss	(5,401)	(4,605)
Loans, net of allowance	$ 425,701	$ 409,298

Transactions in the allowance for loan losses for the years ended December 31, 2020 and 2019 are summarized as follows:

(in thousands)

At December 31,	2020	2019
Balance, beginning of year	$ 4,605	$ 4,367
Provision for loan losses	885	660
Loans charged-off	(399)	(580)
Recoveries	310	158
Balance at end of year	$ 5,401	$ 4,605

(5)Loans and Allowance (continued)

The following tables summarize the activity in the allowance for loan losses and the recorded investment in loans receivable by loan class for the years ended December 31, 2020 and 2019.
(in thousands):

2020
Allowance for loan losses

	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial real estate	$ 1,064	$ -	$ 141	$ (41)	$ 1,164	$ 374	$ 790
Commercial & industrial	482	-	-	276	758	48	710
Residential real estate	745	-	-	127	872	118	754
Other consumer	1,471	(399)	169	387	1,628	290	1,338
Unallocated	843	-	-	136	979	-	979
Total	$ 4,605	$ (399)	$ 310	$ 885	$ 5,401	$ 830	$ 4,571

2020

	Ending Balance	Ending Balance: Individually Evaluated	Ending Balance: Collectively Evaluated
Commercial real estate	$ 94,193	$ 3,656	$ 90,537
Commercial & industrial	81,147	713	80,434
Residential real estate	123,318	3,037	120,281
Other consumer	132,444	696	131,748
Total	$ 431,102	$ 8,102	$ 423,000

2019
Allowance for loan losses

	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial real estate	$ 914	$ (117)	$ -	$ 267	$ 1,064	$ 258	$ 806
Commercial & industrial	625	-	-	(143)	482	-	482
Residential real estate	725	(16)	8	28	745	78	667
Other consumer	1,583	(447)	150	185	1,471	330	1,141
Unallocated	520	-	-	323	843	-	843
Total	$ 4,367	$ (580)	$ 158	$ 660	$ 4,605	$ 666	$ 3,939

2019

	Ending Balance	Ending Balance: Individually Evaluated	Ending Balance: Collectively Evaluated
Commercial real estate	$ 111,254	$ 1,639	$ 109,615
Commercial & industrial	54,750	-	54,750
Residential real estate	117,166	2,890	114,276
Other consumer	130,733	804	129,929
Total	$ 413,903	$ 5,334	$ 408,570

(5) Loans and Allowances (continued)

Description of Credit Quality Indicators: In accordance with regulatory guidelines, a description of the Company's credit quality indicators follows.

Other Assets Especially Mentioned (OAEM): A warning risk grade that portrays one or more weaknesses that may be tolerated in the short term. Assets in this category are currently protected but are potentially weak. This loan would not normally be booked as a new credit but may have redeeming characteristics persuading the Bank to continue working with the borrower. Loans in this classification have potential weaknesses which may, if not checked or corrected, weaken the company's assets, inadequately protect the Bank's position, or effect the orderly, scheduled reduction of the debt at some future time.

Substandard: The relationship is inadequately protected by the current net worth and cash flow capacity of the borrower, guarantor/endorser, or of the collateral pledged. Assets have a well-defined weakness or weaknesses that jeopardize the orderly liquidation of the debt. The relationship shows deteriorating trends or other deficient areas. The loan may be nonperforming and expected to remain so for the foreseeable future. Relationship balances may be adequately secured by asset value; however, a deteriorated financial condition may necessitate collateral liquidation to effect repayment. This would also include any relationship with an unacceptable financial condition requiring excessive attention of the officer due to the nature of the credit risk or lack of borrower cooperation.

Doubtful: The relationship has all the weaknesses inherent in a credit graded as OAEM with the added characteristic that the weaknesses make collection based on currently existing facts, conditions, and value, highly questionable or improbable. The possibility of some loss is extremely high, however its classification as an anticipated loss is deferred until a more exact determination of the extent of loss is determined. Loans in this category must be on nonaccrual.

Loss: Loans are considered uncollectible and of such little value that continuing to report as loan receivables is not warranted. It is not practicable defer writing off this asset even though partial recovery may be possible in the future.

The following table displays the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of other assets especially mentioned, substandard, with the Company's internal risk rating system at December 31, 2020 and 2019 (in thousands):

2020	Pass	Other Assets Especially Mentioned	Substandard	Total
Commercial real estate				
Commercial & industrial	$ 89,836	$ 2,730	$ 1,627	$ 94,193
Residential real estate	81,134	-	13	81,147
Other consumer	122,824	-	494	123,318
	131,748	-	696	132,444

2019	Pass	Other Assets Especially Mentioned	Substandard	Total
Commercial real estate	$ 109,615	$ -	$ 1,639	$ 111,254
Commercial & industrial	54,570	-	-	54,750
Residential real estate	116,910	-	256	117,166
Other consumer	129,929	-	804	130,733
Total	$ 411,204	$ -	$ 2,699	$ 413,903

(5) Loans and Allowances (continued)

A loan is considered impaired when based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Interest income on non-accrual loans is recognized on a cash basis when the borrower makes payment.

The following table summarizes information corresponding to impaired loans by loan portfolio class at December 31, 2020 and 2019 (in thousands):

2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial & industrial	-	-	-	-	-
Residential real estate	-	-	-	-	-
Other consumer	-	-	-	-	-
With an allowance recorded:					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial & industrial	39	39	15	39	1
Residential real estate	-	-	-	-	-
Other consumer	649	649	204	649	43
Total:					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial & industrial	39	39	15	39	1
Residential real estate	-	-	-	-	-
Other consumer	649	649	204	649	43

2019	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial & industrial	-	-	-	-	-
Residential real estate	-	-	-	-	-
Other consumer	-	-	-	-	-
With an allowance recorded:					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial & industrial	21	21	7	21	2
Residential real estate	-	-	-	-	-
Other consumer	727	727	229	727	70
Total:					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial & industrial	21	21	7	21	2
Residential real estate	-	-	-	-	-
Other consumer	727	727	229	727	70

(5) Loans and Allowances (continued)

The following table displays nonaccrual loans by classes of the loan portfolio:
(in thousands)

At December 31,	2020	2019
Commercial real estate	$ -	$ -
Commercial & industrial	39	21
Residential real estate	-	-
Other consumer	649	727
Total	$ 688	$ 748

The performance and credit quality of the loan portfolio is also monitored by evaluating the age of the loans receivable as determined by the length of time a recorded payment is past due.

The following tables present the classes of the loan portfolio summarized by the past due status at December 31, 2020 and 2019 (in thousands):

2020	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivables	Loans Receivable > 90 Days & Accruing
Commercial real estate	$ -	$ -	$ -	$ -	$ 94,193	$ 94,193	$ -
Commercial & industrial	-	-	-	-	81,147	81,147	-
Residential real estate	721	64	493	1,278	122,040	123,318	493
Other consumer	545	73	21	639	131,805	132,444	21
Total	$ 1,266	$ 137	$ 514	$ 1,917	$ 429,185	$ 431,102	$ 514

2019	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivables	Loans Receivable > 90 Days & Accruing
Commercial real estate	$ -	$ -	$ -	$ -	$ 111,254	$ 111,254	$ -
Commercial & industrial	21	-	-	21	54,729	54,750	-
Residential real estate	938	-	257	1,195	115,971	117,166	257
Other consumer	592	23	41	656	130,077	130,733	41
Total	$ 1,551	$ 23	$ 298	$ 1,872	$ 412,031	$ 413,903	$ 298

(5) Loan and Allowance (continued)

During 2020 due to the COVID-19 pandemic, the Bank invested a significant amount of time participating in the issuance of Paycheck Protection Program (PPP) loans to provide financial support to help serve our communities during this time of need. All of these loans and subsequent forgiveness were approved by the Small Business Administration (SBA).

The original PPP loan amounts and subsequent forgiveness are included in the table below:

PPP Loan Activity:	Number of Loans	Amount of Loans
Original loans issued	579	$ 42,042
Subsequent forgiveness	(126)	(10,228)
PPP loan balances at end of year	453	$ 31,814

During 2020, the Bank collected Small Business Administration PPP loan processing fees of $1,868,000. $948,000 was recognized into income within Interest and Fee Income on loans in the Income Statement. The remaining unearned fee amount of $920,000 is reported on the Balance Sheet within the Loan portfolio.

Loans Pledged as Collateral:

The bank pledges mortgage loans at the Federal Home Loan Bank (FHLB) as collateral to secure our line of credit at the FHLB. As of December 31, 2020 and 2019, the amount of loans pledged is $54,055,000 and $57,412,000 respectively.

(6) Loan Servicing

The Bank originates residential mortgage loans, sells to investors, and retains all loan servicing. The outstanding balances of loans serviced for others are derecognized from the accompanying consolidated balance sheets after the sale. The unpaid principal balances of mortgage loans serviced for others were $85.4 million and $86.8 million at December 31, 2020 and 2019, respectively. The balance of mortgage servicing rights is included in other intangible assets on the consolidated balance sheet.

The following presents the changes in mortgage servicing rights for the years ended December 31, 2020 and 2019:

2019:	Gross Carrying Value	Accumulated Amortization	Impairment Allowance	Net Carrying Value
Balance January 1, 2019	$ 1,411	$ (713)	$ -	$ 698
Mortgage servicing rights capitalized	72	-	-	72
Amortized to expense	-	(83)	-	(83)
Impairment recognized	-	-	(68)	(68)
Balance December 31, 2019	$ 1,483	$ (796)	$ (68)	$ 619
Estimated fair value				$ 619
2020:				
Mortgage servicing rights capitalized	$ 116	$ -	$ -	$ 116
Amortized to expense	-	(143)	-	(143)
Impairment recognized	-	-	(82)	(82)
Balance December 31, 2020	$ 1,599	$ (939)	$ (150)	$ 510
Estimated fair value				$ 510

The Bank capitalizes the mortgage servicing rights at estimated fair value based upon an independent third party appraisal. The capitalized rights are reported in the Consolidated statement of income in "Net gains on sales of loans". We have elected to subsequently re-measure the servicing assets using the amortization method, measured in proportion to loan proceeds received vs. the original loans sold.

Asset impairment is tested annually in December after we receive an independent valuation report from a third party consultant firm. If it is determined the carrying value is higher than the estimated fair value, an impairment loss is recognized in earnings. The valuation report employs a discounted cash flow model making several assumptions, including prepayment speeds, interest rate trends, weighted-average default rates, and levels of supply and demand for servicing. Changes to these assumptions can significantly affect the fair value of the servicing rights. This year the estimated fair value was lower than our carrying value of our mortgage servicing rights by $82,000, therefore, we recognized an asset impairment.

The asset impairment charge, amortization expense, and servicing income are all collectively reported in the consolidated statement of income in other non-interest income. Servicing income earned was $206,000 and $213,000 for the years ended December 31, 2020 and 2019, respectively.

(7) Premises and Equipment

The following is a summary of premises and equipment as of December 31:
(in thousands)

At December 31,	2020	2019
Land	$ 1,567	$ 1,567
Building and land improvements	12,275	11,581
Equipment and furniture	4,601	5,190
Total premises and equipment	18,443	18,338
Less: accumulated depreciation	(9,193)	(9,385)
Premises and equipment, net	$ 9,250	$ 8,953

Depreciation expense was $836,000 and $779,000 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we disposed a portion of our fully depreciated assets and removed $1,028,000 in both cost and accumulated depreciation accounts.

The Company owns several properties that it leases to others. Rental income recognized is $177,000 and $155,000 and is included in other noninterest income during the years ended 2020 and 2019, respectively.

(8) Other Real Estate Owned

Other real estate owned activity is as follows: (in thousands)

At December 31,	2020	2019
Beginning balance	$ -	$ -
Loans transferred to real estate owned	-	77
Capitalized expenditures	-	73
Direct write downs to allowance for loan losses	-	(16)
Sale of real estate owned	-	(134)
Ending balance	$ -	$ -

There was no other real estate owned outstanding as of December 31, 2020 or December 31, 2019. Any foreclosed residential real estate property is recorded as a result of obtaining physical possession of the property. As of December 31, 2020 and 2019, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process is $116,000 and $550,000 respectively.

(9) Fair Value Measurements

Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2020 and 2019 are as follows: (in thousands)

	Fair Value Measurements at Reporting Date Using			
2020	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. governments and its agencies	$ -	$ 9,208	$ -	$ 9,208
State and local government municipalities	-	33,021	-	33,021
Mortgage-backed securities	-	9,855	-	9,855
Total investment securities available-for-sale	-	52,084	-	52,084
Readily marketable equity securities	37	-	-	37
Total assets measured at fair value	$ 37	$ 52,084	$ -	$ 52,121
2019				
U.S. governments and its agencies	$ -	$ 10,546	$ -	$ 10,546
State and local government municipalities	-	5,779	-	5,779
Mortgage-backed securities	-	6,877	-	6,877
Total investment securities available-for-sale	-	23,202	-	23,202
Readily marketable equity securities	42	-	-	42
Total assets measured at fair value	$ 42	$ 23,202	$ -	$ 23,244

The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable. The following is used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(10) Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess cost of an acquisition over the fair value of the net assets acquired. The reported amount of goodwill is the result of our acquisition of Scautub Agency, LLC in 2013. Goodwill is not amortized, but is tested annually for impairment. Management is required to perform an annual assessment of the Company's goodwill to determine if an impairment of fair value has occurred. Management has determined that as of December 31, 2020 and 2019, the carrying value of goodwill of $178,000 is not impaired.

Other Intangible Assets

These intangible assets were determined by management to meet the criterion for recognition separate from goodwill and have finite lives. We use judgment in assessing whether the carrying amounts are not expected to be recoverable over their estimated useful lives. The customer relationships have been recognized as a result of the acquisition of the Scautub Agency, LLC. The weighted average remaining amortization period of this intangible is 7.6 years. This must be tested for impairment at least annually. No impairment has occurred to date. Amortization expense is reported in other expenses in the income statement. The mortgage servicing rights intangible is fully explained in the Loan servicing note.

The change in carrying value of intangible assets for 2020 and 2019 is as follows:

(in thousands)	2020			
	Gross Carrying Amount	Accumulated Amortization	Impairment Allowance	Net Intangibles
Amortized intangible assets:				
Customer relationships	$ 230	$ (105)	$ -	$ 125
Mortgage servicing rights	1,599	(939)	(150)	510
Total	$ 1,829	$ (1,044)	$ (150)	$ 635

	2019			
	Gross Carrying Amount	Accumulated Amortization	Impairment Allowance	Net Intangibles
Amortized intangible assets:				
Customer relationships	$ 230	$ (88)	$ -	$ 142
Mortgage servicing rights	1,483	(796)	(68)	619
Total	$ 1,713	$ (884)	$ (68)	$ 761

The estimated amortization expense for each of the five succeeding years ended December 31, is as follows: (in thousands)

2021	$ 68
2022	68
2023	68
2024	68
2025	68
Thereafter	$ 295
Total	635

(11) Deposits

Time deposits (included in Interest Bearing Deposits) that meet or exceed the FDIC Insurance limit of $250,000 at year-end 2020 and 2019 were $3,312,000 and $5,917,000, respectively.

Scheduled maturities of time deposits for the next five years were as follows:
(in thousands)

2021	$ 23,753
2022	4,519
2023	861
2024	310
2025	721
	$ 30,164

(12) Related Party Transactions

In the ordinary course of business, the Bank has and expects to continue to have transactions, including borrowings, with its officers, directors, and their affiliates. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the Bank. Loans and Deposits at December 31, 2020 and 2019 are summarized as follows:

	12/31/2020	12/31/2019
Loan Balance - Beginning of Year	$ 3,246	$ 3,531
New Loans	1,112	389
Payments	(2,167)	(674)
Loan Balance End of Year	$ 2,191	$ 3,246

The Bank held deposits of $5,024,000 and $3,342,000 for related parties at December 31, 2020 and 2019, respectively.

(13) Borrowings

The Bank loan was issued on October 15, 2012 for $4,000,000. The terms of this loan include: variable interest rate based upon the Wall Street Journal prime rate subject to change annually on January 1st. As of December 31, 2020 the interest rate is 3.75%. For the first ten years of this loan, principal and interest is paid on the 15th of each January, April, July, and October using a fifteen year amortization schedule. On October 15, 2022 a one-time balloon payment is due equal to the entire unpaid principal balance at that time. This loan is fully secured by the pledging of the Company's GBHC stock up to the amount of the loan.

The other long term borrowings include: 1) a private note originally issued on August 1, 2013 for $691,000 related to the purchase of Scautub Insurance Agency. Principal and interest is paid monthly over a ten-year amortization period. The note rate is fixed at 4.25% with a scheduled maturity date of Aug 1, 2023. 2) A promissory note originally issued on December 30, 2015 for $330,000 related to the furniture and fixtures at 120 Erie Boulevard. Principal and interest is paid monthly over a 15-year amortization period. The note rate is fixed at 3% with a scheduled maturity date of Dec 30, 2030.

The Agency also secured an SBA PPP loan on April 16, 2020 for $105,400. SBA forgave the loan on November 27, 2020. The forgiveness is recorded in Other Income on the Income statement.

The Company is in compliance with all debt covenants as required for all of these borrowings.

The Bank also has other lines of credit available with its correspondents banks totaling $71,055,000 as of December 31, 2020. No borrowings are currently outstanding on these lines.

Borrowings outstanding (in thousands):

At December 31,	2020	2019
Short term:		
Current portion of long-term	$ 385	$ 350
Total short-term borrowings	385	350
Long-term:		
Bank loan	2,204	2,459
Other	450	544
Total long-term borrowings	2,654	3,003
Less: current portion	(385)	(350)
Long-term portion	2,269	2,653
Total borrowings	$ 2,654	$ 3,003

At December 31, 2020, scheduled repayments of borrowings are as follows:
(in thousands)

2021	$ 385
2022	2,018
2023	78
2024	23
2025	23
Thereafter	127
Total	$ 2,654

(14) Pension Plan

The Bank sponsors a qualified pension plan for its employees. The following tables provide a reconciliation of the changes in the plan's benefit obligations, fair value of assets, and a statement of the funded status over the periods ending December 31, 2020 and 2019, respectively.

(in thousands)

As of December 31,	2020	2019
Reconciliation of pension benefit obligation		
Obligation at beginning of year	$ 18,899	$ 17,137
Service cost including expenses	121	137
Interest cost	654	752
Actuarial gain (loss)	2,339	1,885
Benefit payments and expected expenses	(1,073)	(1,012)
Obligation at end of year	20,940	18,899
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	21,825	18,859
Actual return on plan assets	4,584	3,966
Employer contributions	-	-
Benefit payments and actual expenses	(1,086)	(1,000)
Fair value of plan assets at end of year	25,323	21,825
Funded status at end of year	$ 4,383	$ 2,926
Amounts recognized in the balance sheet		
Included in other assets	$ 4,383	$ 2,926
Amounts recognized in AOCI		
Gain/(loss)	(3,191)	(4,227)
Components of net periodic pension cost (income) and other amounts recognized in other comprehensive income		
Service cost	$ 121	$ 137
Interest cost	654	752
Expected return on plan assets	(1,278)	(1,188)
Amortization of net (gain) loss	83	133
Net periodic pension cost/(income)	(420)	(166)
Other changes in plan assets and benefit obligations recognized in other comprehensive income		
Net loss (gain)	(953)	(906)
Amortization of net (loss)	(83)	(133)
Total amount recognized in other comprehensive income	(1,036)	(1,039)
Total amount recognized in net periodic pension cost (income) and other comprehensive income	$ (1,456)	$ (1,205)

(14) Pension Plan (continued)

Weighted average assumptions used	Used for Net Pension cost in fiscal year 1/1/20 - 12/31/20	Used for Pension obligation as of 12/31/2020
Discount rate	3.56%	2.66%
Long-term rate of return	6.00%	N/A

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

2021	$ 973
2022	$ 999
2023	$ 1,051
2024	$ 1,048
2025	$ 1,075
2026-2030	$ 5,293

The plan asset allocations by asset category are as follows:

Fair value, December 31	2020	2019
Equity securities	32%	32%
Fixed income	63%	58%
Other	5%	10%
Total	100%	100%

The estimated net (loss) for the plan that will be amortized from accumulated other comprehensive income into net periodic pension cost over the next fiscal year is $27,981.

(15) Other Benefit Plans

Deferred Compensation Plan: Our deferred compensation plan covers all directors and selected officers. Under this plan the company is obligated to pay each participant or their beneficiary the fair market value of the assets upon the participant's requested redemption date. There is a deferred compensation liability obligation (included in other liabilities) in addition to a deferred compensation asset (included in other assets) of $6,138,000 as of December 31, 2020. The expense incurred for new deferred compensation awards for the year ending December 31, 2020 was $81,000. This amount is included in salaries and benefits on the income statement.

401(k) Plan: A 401(k) benefit plan allows employee contributions up to the annual IRS dollar limit. The employee contributions are matched up to 50% of the first 6% of the compensation contributed. Expense for 2020 and 2019 was $480,000 and $379,000, respectively including an additional 3% discretionary contribution.

(16) Income Taxes

Income taxes included in the Statement of Income are as follows: (in thousands)

As of December 31,	2020	2019
Current:		
Federal	$ 769	$ 866
State	4	4
Total current	773	870
Deferred:		
Federal	40	7
State	-	-
Total deferred	40	7
Applicable income taxes	$ 813	$ 877

A reconciliation of the income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes and extraordinary items is shown as follows:

As of December 31,	2020	2019
Federal income tax at statutory rate (21% for 2020 and 2019)	$ 812	$ 869
State tax net of federal income tax effect (6.5% for 2020 and 2019)	3	(3)
Municipal bond interest	(44)	(4)
Other	42	15
Total	$ 813	$ 877

The net deferred tax assets included in other assets in the accompanying Consolidated Balance Sheets includes:

At December 31,	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 1,060	$ 892
Deferred compensation	636	682
Deferred fees	193	-
Net operating loss	-	-
Other	150	143
Deferred tax assets	2,039	1,717
Deferred tax liabilities:		
Pension	(921)	(615)
Depreciation	(430)	(134)
Servicing rights	(107)	(130)
Securities	(104)	(51)
Deferred tax liabilities	(1,562)	(930)
Net deferred tax assets	$ 477	787

(17)Regulatory Capital Matters

The subsidiary Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. 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 at the rate of 0.625% per year from 0.0% in 2015 to 2.50% on January 1, 2019. Management believes as of December 31, 2020, the Bank meets all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2020 and 2019, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end December 31, 2020 and December 31, 2019, respectively.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Thresholds		Minimum To Be Well Capitalized with Buffer	
2020	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital	48,700	12.74%	30,584	8.00%	38,230	10.00%	40,141	10.50%
Tier 1 Capital	43,906	11.48%	22,938	6.00%	30,584	8.00%	32,495	8.50%
Common Equity Tier 1	43,906	11.48%	17,203	4.50%	24,849	6.50%	26,761	7.00%
Tier 1 Capital	43,906	7.43%	23,639	4.00%	29,549	5.00%	29,549	5.00%
2019								
Total Capital	46,776	12.10%	30,950	8.00%	38,675	10.00%	40,606	10.50%
Tier 1 Capital	41,939	10.84%	23,200	6.00%	30,950	8.00%	32,872	8.50%
Common Equity Tier 1	41,939	10.84%	17,400	4.50%	25,150	6.50%	27,071	7.00%
Tier 1 Capital	41,939	8.68%	19,350	4.00%	24,150	5.00%	24,150	5.00%

(18) Off Balance Sheet Related Risks

Our Company, in its normal course of business, is party to financial instruments with off-balance sheet risk. These include commitments to extend credit and performance standby letters of credit, which are not included in the accompanying financial statements.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and performance standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheet.

Financial instruments whose contract amounts represent credit risk as December 31, 2020 and 2019 are as follows (in thousands):

As of December 31,	2020	2019
Commitments to extend credit	$ 61,276	$ 47,825
Performance standby letters of credit	$ 1,617	$ 1,398

Commitments to extend credit are legally binding agreements to lend to customers. Commitments generally have fixed expiration dates or other termination clauses and may require payment of fees. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company for extension of credit, is based on management's credit assessment of the customer.

Performance standby letters of credit irrevocably obligates the Corporation to pay a third-party when a customer fails to perform some contractual non-financial obligation. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Most of the performance standby letters of credit are secured by deposits held in the Bank to mitigate any credit risk.

(19) Accumulated Other Comprehensive Income (Loss)

Changes in the components of accumulated other comprehensive income (loss) (AOCI), net of tax, for their periods indicated are summarized in the table below:

	For the year ended December 31, 2020					
(in thousands)	Pension Plan		Unrealized Gains and (Losses) on AFS Securities		Total	
Beginning Balance	$	(3,094)	$	172	$	(2,922)
OCI before reclassifications		508		243		751
Amounts Reclassified from AOCI		66		(37)		29
Ending Balance	$	(2,520)	$	378	$	(2,142)

	For the year ended December 31, 2019					
(in thousands)	Pension Plan		Unrealized Gains and		Total	
Beginning Balance	$	(3,861)	$	(2)	$	(3,863)
OCI before reclassifications		662		172		834
Amounts Reclassified from AOCI		105		2		107
Ending Balance	$	(3,094)	$	172	$	(2,922)

The following table presents the amounts reclassified out of each component of AOCI for the indicated annual period (in thousands):

Details about AOCI Components	12/31/2020		12/31/2019		Affected Line Item in the
Pension Plan Items					
Retirement Plan Net Losses	$	(83)	$	(133)	Salaries and Employee Benefits
Recognized in Plan Expenses		17		28	Applicable income taxes
	$	(66)	$	(105)	Net Income
Available-for-sale Securities					
Realized gain (loss) on	$	47	$	(2)	Net gains (losses) on sales
Sale of Securities		(10)		-	Applicable income taxes
	$	37	$	(2)	Net Income

(20) Revenue from Contracts with Customers

The majority of the Bank's revenue-generating transactions are not subject to ASC Topic 606 (Revenue from contracts with customers), including interest earned from financial instruments, such as loans and investment securities which are presented in the income statement as components of net interest income. All of the Bank's revenue from contracts with customers within the scope of ASC 606 is recognized as non-interest income in the statement of income. The following table presents revenues subject to ASC 606 for the years ended December 31, 2020 and 2019 respectively.

(in thousands)

At December 31,	2020	2019
Customer service charges and fees:		
Insufficient funds	$ 464	$ 629
Deposit related fees	252	285
ATM charges	87	110
Safe deposit rental income	83	82
Total service charges	886	1,106
Insurance and brokerage:		
Insurance commissions	727	684
Brokerage commissions	488	425
Total insurance and brokerage	1,215	1,109
Interchange Fee Income	1,088	1,082
Mortgage loan servicing fee income and gain on sale of loans:		
Loan servicing fees	206	213
Mortgage servicing rights amortization and impairments	(225)	(152)
Net gains on sales of loans	557	182
Total mortgage loan servicing and gain on sales of loans	538	243
Total revenue within scope of Revenue recognition standard	3,727	3,540
Net gains (losses) on sales of investment securities	58	(2)
Unrealized gains (losses) on equity securities	5	111
Other miscellaneous income	315	322
Total noninterest income	$ 4,105	$ 3,971

(20) Revenue from Contracts with Customers (continued)

The Company recognizes revenue as it is earned and noted no significant impact to its revenue recognition policies as a result of this new accounting standard relating to revenue from contracts with customers.

The following is a discussion of revenue classifications within the scope of the new revenue recognition guidance:

Customer service charges and fees – Revenue is earned through insufficient funds fees, wire transfer fees, and deposit related fees based on customer activity and statement cycles. Fees earned are recognized at the time the transaction is complete and the Company's performance obligation is satisfied. Safe deposit rent is collected in advance based on the annual renewal date and the subsequent revenue is recognized monthly proportionally up to the ending term of the customer agreement.

Insurance and brokerage - Investment and insurance products are offered through our First Scotia Wealth Management division and Agency subsidiary, respectively. Revenue is earned through commissions received as transactions occur after our performance obligation is satisfied.

Interchange fees – For debit and credit card interchange fees, revenue is recognized from card networks and other card related services. Interchange rates are set by the card networks. Interchange fees are based on purchase volumes and other factors and are recognized as transactions occur.

Loan servicing income and gains on sales of loans – Realized gain on sale of loans is earned through the origination and sale of residential loans to investors as transactions occur. The Company retains all loan servicing on loan sales and collects monthly servicing income from the customer as loan payments are received.

THIS STATEMENT HAS NOT BEEN REVIEWED OR CONFIRMED FOR ACCURACY
OR RELEVANCY BY THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

I, Robert J. Dieterich, Chief Financial Officer of 1st National Bank of Scotia, do hereby declare that these Consolidated Balance Sheets and Income Statements (including the supporting schedules) have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

Chief Financial Officer

February 12, 2021
Date of Signature

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The purpose of the Audit Committee is to assist the Board of Directors in its general oversight of the Glenville Bank Holding Company's financial reporting, internal controls and audit function. Through our annual Directors' Examination and the internal auditors, the Audit Committee has reviewed the financial statements for which management is responsible for preparation, presentation and integrity. It is the Audit Committee's opinion that these statements conform to applicable standards.

The Board of Directors Audit Committee

David L. Schweizer, Chairman
Bruce W. McConnelee
David D. Montana
Scott D. Stevens

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GLENVILLE BANK HOLDING COMPANY