2021 ANNUAL REPORT

GLENVILLE BANK HOLDING COMPANY

1st National Bank of Scotia

Scautub AGENCY SINCE 1926

First Scotia WEALTH MANAGEMENT

2021 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.

Table of Contents

Report of the Chairman and President

Dear Shareholder:

We are pleased to inform you that despite the unpredictable economic fluctuations of 2021, both 1st National Bank of Scotia and The Scautub Agency achieved record profits and growth! In a year that was predicted to signal the wind down of the COVID-19 virus and the return to the pre-pandemic economy, we were met with quite the opposite. The rapid spread of the Omicron variant brought back new highs in infections throughout the nation, and the many factors associated with the pandemic gave us an inflation rate of over 7%. Not quite what we had hoped for.

Fortunately, our business model has always worked on the principle of “adapt and thrive.” This has been an unofficial mantra practiced by the Bank’s leadership since the Great Depression and a key part of our management training program. The philosophy was formally put into writing for all staff as the pandemic set upon us in early 2020, and adapt and thrive we most certainly did! While others hunkered down and rode out the tough times, our team both leaned into this opportunity and proved the strength of our service excellence model and, at the same time, kept our customers and employees safe and secure. A daunting task. Growth in nearly every part of our businesses financially, expansion of our customer base, and aggressive deployment of technology together with a reimagined realignment of responsibilities provided record results for our companies and record dividends for our shareholders. We are proud of how our staff’s exceptional customer service never wavered. You could say it even shone like a guiding star during all the twists and turns of government policy, a changing economy, and the frustrations of many over a situation that has continued to exist for far too long.

Not all news has been bad in the last year. One of the most exciting things to announce in an annual report is that the Bank recorded net income of $3,956,000 on assets of an incredible $670 million; a new Bank record for profitability and assets! While one-time earnings from the fees associated with the SBA’s Paycheck Protection Program (PPP) contributed significantly to earnings, we also saw our highest year of growth in Residential Loan Originations totaling $43 million and Indirect Vehicle Lending originations of over $80 million. With the dramatic growth in deposits of $177 million over the last two years, our talented staff has been able to safely put much of those deposits back to work in the community in the form of loans and investments. But we are not done! We still have more to lend and expect an equally successful outreach to borrowers in 2022. With our recent growth and the ever present threat posed by cybercriminals, you will be comforted to hear that our risk monitoring systems and processes have been upgraded and are all actively working to keep your bank safe in the increasingly complex and evolving world in which we currently live.

Last year brought a conclusion to the SBA’s PPP round one program with nearly all of the initial advances repaid, and second round advances are being repaid in 2022 at an equal pace. Through undertaking an “all hands on deck” philosophy, 1st National did what a community bank is supposed to do and lent a total of $62 million to 855 small businesses through the PPP program. Unlike many competitors we were able to serve customers and non-customers alike, in order to keep these important businesses open. Small businesses are the backbone of the nation’s economy, and banks like ours provided an outsized role in keeping them afloat throughout the pandemic and now beyond. This bank was founded nearly 99 years ago on the principles that the big bank across the river was not doing enough to help our communities, businesses, and residents. It seems that the big banks have not evolved much in the last century! Fortunately our community has 1st National to advocate for them and partner with them.

Report of the Chairman and President

One of the most important core values of a community bank is to give back to the communities where we do business and to lend a hand to those who are working hard to get ahead in this world. Our staff quietly volunteers thousands of hours to raise money, serve on boards, and help others. The bank has donated to hundreds of worthy causes, particularly to local hunger-relief charities more recently. We have shown leadership through promoting financial literacy in our schools and managing a volunteer counseling program jointly with Better Community Neighborhoods Inc. in the City of Schenectady tailored to residents who were facing eviction or wanted help learning how to achieve home ownership. 1st National Bank of Scotia has been and will continue to be there for our community! The Bank's most popular mortgage product last year was our First Time Homebuyer Program that has helped 170 families obtain home ownership since its inception. For these efforts, our bank was once again awarded an "Outstanding" Community Reinvestment Act rating by the OCC, our regulating agency. Only a fraction of banks in the country receive this rating each year and we are extremely proud of our team and this achievement.

Despite all that transpired last year with the economy, the supply chain, consumer frustration, and especially by the constantly changing rules of the pandemic, we still moved forward with our decision to upgrade our core banking system, the primary technology that runs our bank. We last upgraded our core system in 2000 to one of the nation's first PC based banking systems and, for the year 2000, it was amazing. A lot has happened over the last 20 years with the evolution of the smart phone, the incredible growth of the Internet, and consumers' strong desire for up-to-date and self-service technology. Those developments combined with the need to match our first-rate customer service with first-rate technology made our choice easy.

We are proud to say that on October 28th, 2021, we upgraded our systems to the most advanced and technologically flexible community banking software from FIS, the world's largest provider of such technology. For more than four years 1st National bankers have participated in the development of this new software and worked hard to ensure it was the highest caliber as possible. The conversion was quite successful, but it did come with a few hiccups. One of which is reflected later in the pages of this report was due to a data conversion error in our loan billing systems. Many loan accounts did not get the billing or late notices they expected, thereby causing a temporary rise in our 30- to 89-day delinquencies. However, do not worry, the issues are mostly resolved and the delinquency rate is falling rapidly as we contact each customer personally in order to quickly return us to our usual low delinquency rate.

The exciting part about our conversion to FIS's Horizon XE is that we now have so many opportunities to expand our current technology services. We continue to seek to harness new technologies that provide innumerable benefits to our operations in both efficiencies and improved workflow as well as to our customers who demand and expect products that bring value and simplicity to their daily lives. In 2022 expect to see updates to our online and mobile banking products, and the roll out of a high quality online loan origination product that will allow the customer the ability to do business when it is most convenient for them. This new product, combined with upgrades to the technology serving our dealership auto financing program, will greatly improve the customer experience irrespective of when or where they are applying. In order for us to serve you better, please make sure we have your current e-mail address so that we can keep you informed of the changes as they are happening! It is also important that we have your most current cell number linked to your debit and credit cards so that you can take advantage of our best-in-class fraud notification systems.

Report of the Chairman and President

Authoring this message each year allows both of us to reflect on how far the Bank has come and how fortunate we are to be surrounded by incredible people who are not only talented, but also dedicated community-minded caretakers of this great institution. Between the two of us we have over 90 years of community banking experience. Throughout that time, we have navigated many “unprecedented” events. The one thing that has remained constant every time we are faced with a challenge is that the 1st National team steps up and treats the situation promptly, effectively, and as an opportunity. Our dedicated and passionate team adapts, and thrives, no matter what it takes. That is what makes 1st National special, and why we have such extraordinary longevity amongst our staff.

During 2021 several of our most seasoned and valued people retired, all with over 40 years of banking experience. In last year’s letter we mentioned the planned retirement of Director David Schweizer who retired from the board in March after 41 years of service. Sadly, David passed away in September after a courageous 20-year battle with cancer. We will miss his wisdom and dedication, but most of all his friendship.

In December Executive Vice President Diane Smith Faubion retired after 42 years with the Bank. Diane was instrumental in our strategic planning and community involvement, and in 2016 she was named the Schenectady Chamber’s Executive of the Year. Senior Vice President and Senior Loan Officer Andrew T. Trainor and Vice President and Commercial Lender O. Neil Thomas also retired, both with more than 40 years in the banking industry. At The Scautub Agency, former owner and President Mark Massaroni retired after over 43 years with Scautub. We will greatly miss those who have retired, while at the same time wishing them the very best as they begin their next chapter.

With every retirement comes a new beginning for someone else in the organization, and we are fortunate to have a number of highly talented and experienced individuals that have stepped up to fill some big shoes. The Bank and the Agency are in great hands with the next generation of well trained and capable leaders. We are also very proud of how our Boards of Directors have continued to dedicate an incredible amount of time and resources to ensure the Bank and Agency are well managed, profitable, and on a successful path. Additionally, we are very thankful to have an engaged Advisory Board that is actively providing us with the type of real time advice that is allowing us to pick the right products and focus on meaningful pursuit of new technology.

With change comes opportunity, and change continues to be plentiful. We are excited about the coming year and see a great future for your bank. 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**

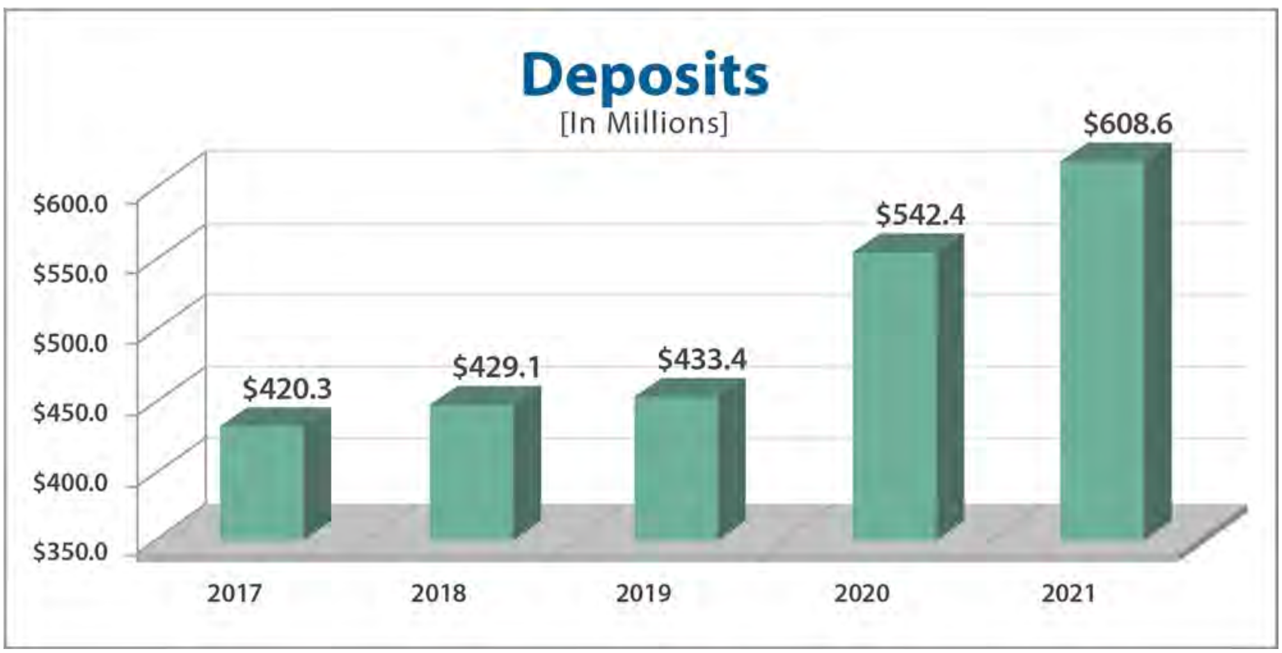
Financial Highlights - Bank Only

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

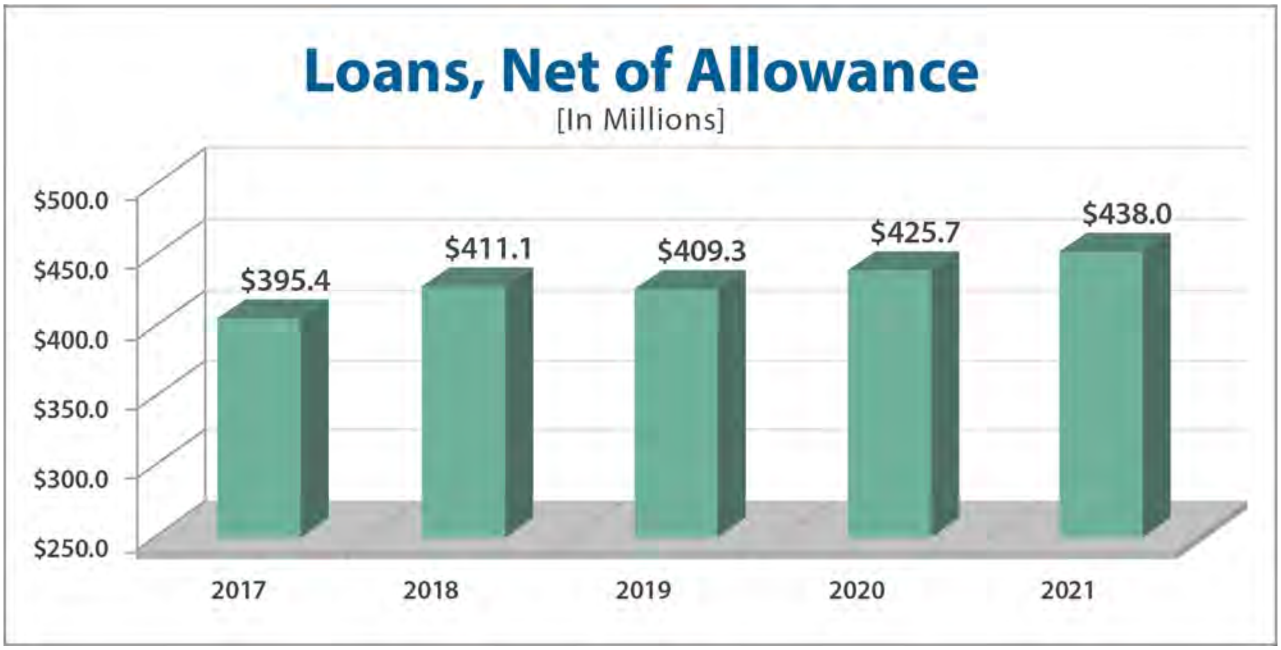
As of December 31,		2021		2020
Net Income	$	3,956	$	3,217
Basic earnings per share	$	21.21	$	17.24
Balance sheet:				
Loans, net of unearned income	$	444,147	$	431,595
Less: Allowance for loan losses	$	(5,673)	$	(5,401)
Total assets	$	670,378	$	596,844
Total deposits	$	611,641	$	544,875
Shareholders' equity	$	48,718	$	41,764
Ratios:				
Return on average assets		0.61%		0.58%
Return on average equity		8.92%		7.98%
Net interest margin		3.35%		3.58%
Loans to deposits		72.62%		79.21%
Tier I leverage		7.45%		7.43%
Risk-based capital		13.01%		12.74%
Allowance for loan losses to loans		1.28%		1.25%
Number of banking offices		10		10

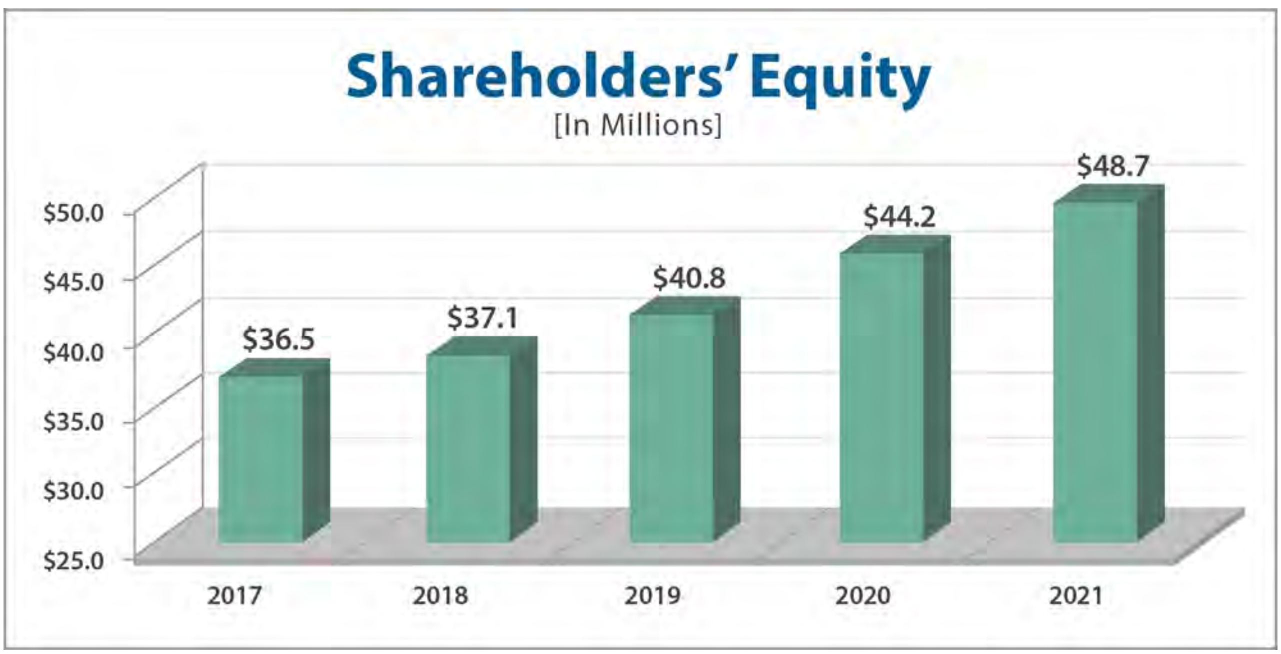
The subsequent financial statements represent the consolidated
Effects of the GBHC, the Bank, and the Agency.

GBHC Consolidated Financial Highlights 2017-2021

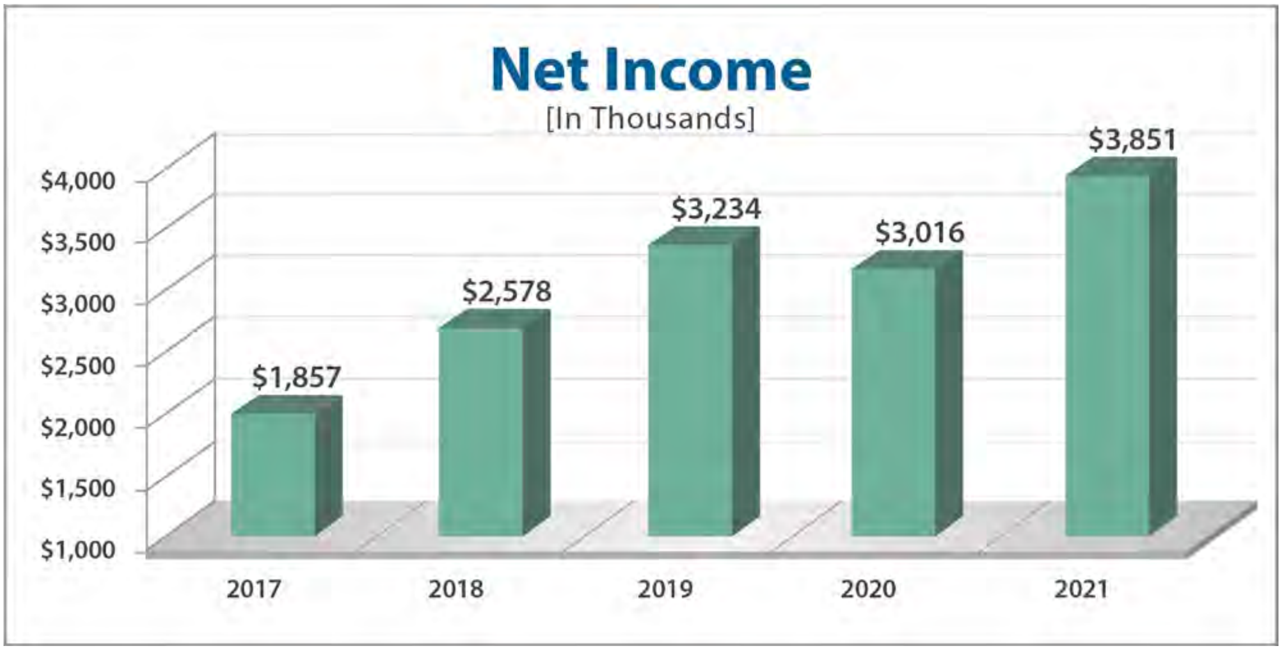


GBHC Consolidated Financial Highlights 2017-2021





GBHC Consolidated Financial Highlights 2017-2021



Glenville Bank Holding Company Directors

L.H. Buhrmaster,
Chairman of the Board

John H. Buhrmaster,
President & Chief Executive Officer

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

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

David D. Montana,
President, Fortune Air, Inc.

Bruce W. McConnelee
Retired - Hydro Mobile
Community Liaison

Scott D. Stevens
President, Dimension Fabricators

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.

Bruce W. McConnelee
Retired - Hydro Mobile
Community Liaison

Scott D. Stevens
President, Dimension Fabricators

Karl F. Sindel
Licensed Real Estate Salesperson
Retired - GE Information Technology

Lynn M. Roche
Retired - Division Executive, Banking & Wealth Management - FIS
Director, Numerated Financial
Director, Reliance Trust Company

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
William B. Faubion, Sr. Vice President
James J. Smith, Chief Information Officer
Brian V. Borini, Auditor
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
Laura A. Siracuse, Vice President
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
Tiziana Riccobene, Assistant Vice President
Cynthia A. Siatkowski, Compliance Officer
Premnarine Jaddu, Branch Operations Officer
Kristen D. Faubion, Operations Officer
Cara K. Pabon, Branch Operations Officer
Katie Jo Mohamed Ali, Branch Operations Officer
Jennifer S.B. Rudolph, Branch Operations Officer
Todd J. Greive, Branch Operations Officer
Eric W. Bode, Indirect Lending 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
Jennifer S. B. Rudolph, *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
Premnarine Jaddu, *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.

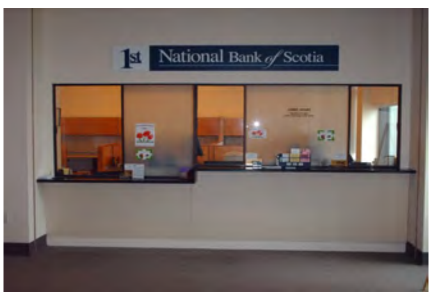
1st National Bank Retail Offices and Officers

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

Jennifer S. B. Rudolph, *Branch Operations Officer*
Kevin R. Buhrmaster, *Vice President - Area Manager*
1 Research Circle, Schenectady, New York 12309
(518) 370-7217

Rotterdam Office

Cara K. Pabon, *Branch Operations Officer*
Teresa A. Freeman , *Vice President - Area Manager*
2695 Hamburg Street, Schenectady, New York 12303
(518) 370-7285

Clifton Park Office

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

Robert J. Dieterich
Chief Executive Officer & Corporate Secretary

David D. Montana
President, Fortune Air, Inc.

Edmund J. Catalano
President

Gertrude A. Chojecki
Vice President

Kelly A. Gibbons
Director

Diane Smith Faubion
Advisory Director

Personal Insurance

- Automobiles
- 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

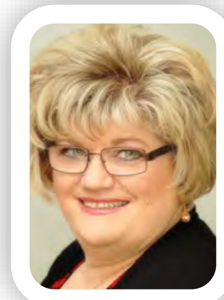
Principal Office: 108 North Ballston Avenue, Scotia, New York 12302
(518) 346-3427 www.scautub.com

First Scotia Wealth Management

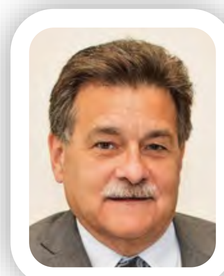
Investment and insurance products and services are offered through INFINEX INVESTMENTS, INC. Member FINRA/SIPC. First Scotia Wealth Management is a trade name of the bank. Infinex and the bank are not affiliated.

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 V. 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 F. 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

Products and services available:

- Brokered certificate of deposits
- Business owner solutions
- Cash Management
- Corporate and Municipal Bonds
- Disability Insurance
- Extended FDIC sweep account
- Fixed Annuities
- Individual Stocks
- Insurance
- Long-Term Care Insurance
- Mutual Funds
- Permanent Life Insurance
- REITs
- Retirement Plans
- Term Life Insurance
- Treasury Securities
- Unit Investment Trusts
- Variable Annuities

Bank Advisory Board

The 1st National Bank of Scotia Advisory Board provides both insight and guidance on issues pertinent to the growth and success of the Bank. This group consists of active community business and civic leaders from a variety of geographical locations and have a diversity of background and experiences. Advisory Board members also receive training in many facets of the Bank so that they may provide relevant recommendations supporting our strategic objective of enhancing and maintaining our service-driven culture.

Kenneth Swain serves as the Liaison Officer for this group, which was created in December 2020. His role is to schedule and coordinate quarterly meetings and to provide the Advisory Board with the objectives and building blocks necessary to successfully achieve our vision, "to provide an exceptional service experience, every time!"

Danna J. Ellsworth
Owner & Operator
Ellsworth & Sons Excavating
Jenkinsville Sand and Gravel, LLC
Lake George Expedition Park

Jeffrey J. Gabriele
Co-Owner, Gabriel's Supermarkets
Beacon Homes

Steven H. Heider
Retired – Chief of Police, Colonie Police Department
Owner, Northway Residential
Board Chairman, Scautub Agency

Annmarie Krause
Co-Owner, Krause's Homemade Candy

Charles P. Morris
President, Morris Ford

Jason Packer
CEO, Hill & Markes Inc.

Debra A. Pollard
President, Fenimore Asset Management

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,	2021	2020
Assets		
Cash and cash equivalents:		
Non-interest bearing balances, currency and coin	$ 9,280	$ 10,247
Interest-bearing balances due from financial institutions	79,300	79,850
Total cash and cash equivalents	88,580	90,097
Debt Securities:		
Available-for-sale	102,762	52,084
Held-to-maturity (Fair value 2021 $12,198; 2020 $5,134)	12,002	4,868
Total debt securities	114,764	56,952
Equity securities with readily determinable fair values	62	37
Loans, net of allowance: as of 2021 ($5,673), 2020 ($5,401)	438,001	424,711
Premises and equipment, net	9,734	9,250
Equity securities not readily marketable	1,182	1,173
Cash surrender value of life insurance policies	1,324	1,151
Other intangible assets, net	615	635
Deferred compensation assets	7,430	6,138
Pension plan fund status	7,348	4,383
Accrued interest receivable	2,005	1,885
Other assets	1,587	1,815
Total assets	$ 672,632	$ 598,227
Liabilities		
Deposits:		
Non-interest bearing	$ 190,269	$ 170,968
Interest-bearing	418,372	371,395
Total deposits	608,641	542,363
Borrowings	5,248	2,654
Other liabilities	10,057	9,036
Total liabilities	623,946	554,053
Shareholders' Equity		
Common stock, par value $0.01; authorized 250,000 shares; issued 207,405 in 2021 and 204,905 in 2020, respectively	2	2
Outstanding 207,405 shares in 2021 and 200,750 in 2020, respectively		
Additional paid-in capital	23,130	23,102
Retained earnings	26,743	23,403
Accumulated other comprehensive income (loss)	(1,189)	(2,142)
Treasury stock, at cost (0 shares in 2021, 4,080 shares in 2020)	-	(353)
Total GBHC shareholders' equity	48,686	44,012
Noncontrolling interest	-	162
Total shareholders' equity	48,686	44,174
Total liabilities and shareholders' equity	$ 672,632	$ 598,227

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

Consolidated Income Statements

(in thousands)

Years ended December 31,	2021	2020
Interest and dividend income:		
Loans and related fees	$ 19,886	$ 18,699
Debt securities	969	683
Equity securities	38	44
Interest on earning balances with financial institutions	114	146
Total interest and dividend income	21,007	19,572
Interest Expense:		
Interest on deposits	509	946
Interest on Federal Home Loan Bank advances	-	3
Interest on other borrowings	140	142
Total interest expense	649	1,091
Net interest income	20,358	18,481
Provision for loan loss	390	885
Net interest income after provisions	19,968	17,596
Non-Interest Income:		
Insurance and brokerage commissions	1,209	1,215
Interchange fees	1,266	1,088
Service charges and fees	890	886
Net realized gains on sales of loans	126	557
Rental Income	237	177
Net realized gains (losses) on available for sale securities	-	58
Unrealized gains (losses) on equity securities	25	5
Other non-interest income	397	119
Total non-interest income	4,150	4,105
Non-Interest Expense:		
Salaries and employee benefits	11,569	11,069
Occupancy and equipment	2,221	2,082
Core banking data processing	1,680	1,437
Software service contracts	452	409
Federal deposit insurance assessment	447	315
Advertising and marketing	262	289
Accounting and auditing	298	277
Rent expense	75	62
Other expenses	2,285	1,927
Total non-interest expense	19,289	17,867
Income before taxes	4,829	3,834
Applicable income taxes	979	813
Net income	3,850	3,021
Less: Net income attributable to noncontrolling interest	-	(5)
Net income attributable to GBHC shareholders	$ 3,850	$ 3,016

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

Consolidated Statements of Comprehensive Income

(in thousands)

Years ended December 31,	2021	2020
Net income		
Other comprehensive income (loss), net of taxes	$ 3,850	$ 3,021
Unrealized gains (losses) on securities, net of taxes:		
Unrealized holding gains (losses) arising during the period	(1,101)	294
Plus: reclassification adjustment (gains) losses included in net income	-	(47)
Income tax (expense) benefit during the period	231	(40)
Net unrealized gains (losses) on securities, net of taxes	(870)	207
Defined benefit pension plan gains (losses), net of taxes:		
Net gains (losses) arising during the period	2,279	954
Amortization of net loss included in net income	28	83
Income tax benefit (expense) during the period	(484)	(464)
Defined benefit pension plan gains (losses), net of taxes	1,823	573
Other comprehensive income (loss), net of taxes	953	780
Comprehensive income	4,803	3,801
Comprehensive income attributable to noncontrolling interest	-	(5)
Comprehensive income attributable to GBHC	$ 4,803	$ 3,796

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

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, 2020	$ 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
Net income	-	3,850	-	-	-	3,850
Bank purchase of minority interest	(206)	-	-	-	(162)	(368)
Dividends declared ($2.50 per share)	-	(510)	-	-	-	(510)
Issuance of common Stock (2,500 shares)	225	-	-	-	-	225
Issuance of treasury stock (4,080 net shares)	9	-	-	353	-	362
OCI, net of taxes	-	-	953	-	-	953
Balance, December 31, 2021	$ 23,132	$ 26,743	$ (1,189)	$ -	$ -	$ 48,686

Consolidated Statements of Cash Flows

(in thousands)

Years ended December 31,	2021	2020
Cash flows from operating activities:		
Net income	$ 3,850	$ 3,016
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	843	836
Provision for loan loss	390	885
Amortization of intangible assets	40	242
Net premium amortization (accretion) on securities	601	230
Amortization of deferred loan (fees) costs	(1,590)	(771)
Deferred tax expense (benefit)	(56)	40
Unrealized (gains) losses on equity securities	(25)	(5)
(Gain) Loss on sale of available for sale securities	-	(58)
(Gain) on sale of loans held for sale	(126)	(557)
Proceeds from sales of loans held for sale	3,332	17,229
Loans originated and held for sale	(3,206)	(16,672)
Earnings from cash surrender value life insurance policies	(15)	(16)
Net change in other assets and liabilities	(1,289)	(732)
Net cash provided by (used in) operating activities	2,749	3,667
Cash flows from investing activities:		
Proceeds from maturities and calls AFS	19,792	14,100
Proceeds from maturities and calls HTM	4,099	2,132
Proceeds from sales of investment securities AFS	-	2,127
Purchases of investment securities AFS	(72,158)	(45,022)
Purchases of investment securities HTM	(11,233)	(3,184)
Net purchases of not readily marketable stock	(22)	(23)
Net change in loans for (originations) payback	(12,090)	(16,517)
Capital expenditures	(1,327)	(1,133)
Net cash provided by (used in) investing activities	(72,939)	(47,520)
Cash flows from financing activities:		
Net increase in deposits	66,278	109,004
Repayment of borrowings	(2,406)	(349)
Issuances of new borrowings	5,000	-
Issuances of new common stock	225	-
Bank purchase of Minority Interest	(276)	-
Dividends paid	(510)	(488)
Net issuances of treasury stock	362	109
Net cash provided by (used in) financing activities	68,673	108,276
Net change in cash and cash equivalents	(1,517)	64,423
Cash and cash equivalents at beginning of year	90,097	25,674
Cash and cash equivalents at end of year	$ 88,580	$ 90,097
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	675	1,267
Income taxes	1,055	1,240

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 contributes over 97% 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 accounts of the GBHC, 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 a 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 elections are permitted within GAAP. We do 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 no longer required to maintain deposit reserve balances with the FRB. The FRB board reduced reserve requirement ratios to zero percent effective March 26, 2020, for all depository institutions. 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, 2021, and 2020, is $2,726,000 and $1,534,000 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 nonmarketable. 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 or credited 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. Most of the Company's loans utilize the fair value of the underlying collateral.

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

(2) Summary of Significant Accounting Policies (continued)

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, 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, 2020 and executed between March 1, 2021 and the earlier of a) 60 days after the date of termination of the National Emergency or b) December 31, 2021. 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 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,

(2) Summary of Significant Accounting Policies (continued)

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, 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.

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

(2) Summary of Significant Accounting Policies (continued)

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. Subsequent recoveries of impairments are recognized in non-interest income during the year of recovery based on the annual valuation report received from the independent consultant. 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 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. We also include any Company-owned internal use software licenses in this classification of reporting for cost, depreciation, and annual impairment testing. Assets reported as internal use software licenses generally include software hosting arrangements that allow for a) a contractual right to take possession of the software at any time during the hosting period without significant penalty, and b) it is feasible to either run the software on our own hardware or contract another party unrelated to the vendor to host the software per the guidance in FASB Codification section 350-40 (Intangibles Goodwill and Other Internal-Use software). If both a and b are not met, the software hosting agreement is classified as Cloud Computing Software below.

Cloud Computing Software: For internal use software assets not meeting a and b above, the Company includes any prepaid software costs as Cloud Computing Arrangements in other assets, including any Implementation costs. These prepaid costs of both the hosting arrangement and upfront implementation costs are subsequently amortized straight line into other expense over the service contract hosting period. Cloud Computing Software costs are all reported as Operating Activities in the Statement of Cash Flows following GAAP requirements. Impairment testing is also performed annually in conjunction with Premises and Equipment assets.

Other Intangible Assets: For our 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.

(2) Summary of Significant Accounting Policies (continued)

Leases: The Company has Operating Leases as a lessor and lessee. Rental income is recorded as received or accrued due from tenants leasing office space in some of our owned buildings. Rent expense is also recognized for the lease of small equipment and office space of our Agency subsidiary. Both rental income and rent expense from our operating leases are separately disclosed in our Income statement. Our Company does not have any Finance lease receivables resulting from asset sales. Leases (Topic 842) as described in the FASB Codification standard requires lessee operating leases to be capitalized for all leases over a one year term; however, we do not capitalize our lessee operating leases due to the immaterial amounts. We estimate any capitalized amount would equal well under 1% of our assets and would make no significant impact to our financial statements. The new Leases Accounting standard is effective beginning for years after December 15, 2021, for private companies.

Comprehensive Income (Loss): Accounting Principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, are reported as a separate component of equity in the statement of condition as Accumulated Other Comprehensive Income (AOCI) instead of reporting these changes in net income.

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):

	12/31/2021	12/31/2020
Unrealized gain (loss) for pension obligations	$ (884)	$ (3,190)
Tax effect	186	670
Net unrealized gain (loss) for pension obligations	(698)	(2,520)
Unrealized gain (loss) on available-for-sale securities	(621)	479
Tax effect	130	(101)
Net unrealized gain (loss) on available-for-sale securities	(491)	378
Accumulated other comprehensive income (loss)	$ (1,189)	$ (2,142)

Noncontrolling Interest: The Company's Non-Controlling Interest, as reported in the prior year, represents the portion of ownership and profit or loss that is attributable to the minority owners of Mohglen Properties Inc. During the current year, the Bank purchased all remaining stock from the minority shareholders. GAAP requires any difference between cash paid and book value to be recognized in capital surplus within shareholders equity. The effects of this accounting transaction are separately presented in both the Statement of Changes in Shareholders Equity and the Statement of Cash flows.

Advertising: Costs incurred for advertising are charged to 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, 2021. After further review, as of February 16, 2022, 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, 2021 and 2020 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
2021				
U.S. governments and its agencies	$ 32,901	$ 7	$ (611)	$ 32,297
State and local government municipalities	60,109	196	(251)	60,054
Mortgage-backed securities	10,373	124	(86)	10,411
Total available-for-sale	$ 103,383	$ 327	$ (948)	$ 102,762
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

Held-to-maturity securities

(in thousands)	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2021				
State and local government municipalities	$ 9,502	$ 196	$ -	$ 9,698
Corporate Debt				
Total held-to-maturity	$ 12,002	$ 196	$ -	$ 12,198
2020				
State and local government municipalities	$ 4,868	$ 266	$ -	$ 5,134
Total held-to-maturity	$ 4,868	$ 266	$ -	$ 5,134

(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	$ 10,631	$ 10,636	$ 6,493	$ 6,497
Due after one year through five years	34,419	34,415	2,077	2,129
Due after five years through ten years	47,665	47,005	3,432	3,572
Due after ten years	295	295	-	-
	93,010	92,351	12,002	12,198
Mortgage-backed securities	10,373	10,411	-	-
Total	$ 103,383	$ 102,762	$ 12,002	$ 12,198

At year-end 2021 and 2020, 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 2021 and 2020 had a carrying amount of $11,197,000 and $17,110,000 and were pledged to secure public funds on deposits.

There were no sales of available for-sales securities during the year 2021. 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.

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, 2021 and 2020, respectively. There were no securities in the held-to-maturity category with cumulative losses .

(in thousands)	December 31, 2021								
	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	22	$ 24,444	$ (313)	7	$ 5,664	$ (298)	29	$ 30,108	$ (611)
State and local government municipalities	71	28,551	(207)	4	1,671	(44)	75	30,222	(251)
Mortgage-backed securities	5	5,443	(86)	-	-	-	5	5,443	(86)
	98	$ 58,438	$ (606)	11	$ 7,335	$ (342)	109	$ 65,773	$ (948)

	December 31, 200								
	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)

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, 2021 or December 31, 2020.

(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 2021 and 2020:

(in thousands)

At December 31,	2021	2020
Balance at beginning of year	$ 37	$ 42
Unrealized gains (losses)	25	(5)
Balance at end of year	$ 62	$ 37

Not readily marketable equity security changes for 2021 and 2020:

	2021		2020
Carrying value 12/31/2020	1,173	Carrying value 12/31/2019	1,153
Premium amortization	(13)	Premium amortization	(13)
Net purchases	22	Net purchases	23
Observable price changes	-	Observable price changes	10
Carrying value 12/31/2021	1,182	Carrying value 12/31/2020	1,173
Observable price changes cumulative	10	Observable price changes cumulative	10

In 2021, there were no observable price changes related to the ACBB stock ownership. The Company did recognize into income observable price changes of $10,000 related to the ACBB stock ownership for the year 2020.

Non-marketable equity securities carrying value consists of the following for 2021 and 2020:

(in thousands)

At December 31,	2021	2020
Senior Crime Stopper Preferred	$ 525	$ 538
Federal Reserve Bank	269	245
Federal Home Loan Bank of NY	271	273
Atlantic Community Bankers Bank Northeast	100	100
Other	17	17
Total	$ 1,182	$ 1,173

(5) Loans and Allowance

The company's loan portfolio at December 31, 2021 and 2020 consists of the following:
(in thousands)

At December 31,	2021	2020
Commercial real estate	$ 99,998	$ 94,193
Commercial and industrial	49,317	80,157
Residential real estate	145,104	123,318
Other consumer	149,255	132,444
Total loans	443,674	430,112
Less: allowance for loan loss	(5,673)	(5,401)
Loans, net of allowance	$ 438,001	$ 424,711

Transactions in the allowance for loan losses for the years ended December 31, 2021 and 2020 are summarized as follows:

(in thousands)

At December 31,	2021	2020
Balance, beginning of year	$ 5,401	$ 4,605
Provision for loan losses	390	885
Loans charged-off	(242)	(399)
Recoveries	124	310
Balance at end of year	$ 5,673	$ 5,401

(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, 2021 and 2020.
(in thousands):

2021 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	$ 1,164	$ -	$ -	$ 89	$ 1,253	$ 365	$ 888
Commercial & industrial	758	-	1	(154)	605	156	449
Residential real estate	872	-	-	100	972	133	839
Other consumer	1,628	(242)	123	445	1,954	495	1,459
Unallocated	979	-	-	(90)	889	-	889
Total	$ 5,401	$ (242)	$ 124	$ 390	$ 5,673	$ 1,149	$ 4,524

2021	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial real estate	$ 99,998	$ 3,538	$ 96,460
Commercial & industrial	49,317	501	48,816
Residential real estate	145,104	2,082	143,022
Other consumer	149,255	1,369	147,886
Total	$ 443,674	$ 7,490	$ 436,184

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 for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial real estate	$ 94,193	$ 3,656	$ 90,537
Commercial & industrial	80,157	713	79,444
Residential real estate	123,318	3,037	120,281
Other consumer	132,444	696	131,748
Total	$ 430,112	$ 8,102	$ 422,010

(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):

2021	Pass	Other Assets Especially Mentioned	Substandard	Total
Commercial real estate	$ 96,460	$ 1,928	$ 1,610	$ 99,998
Commercial & industrial	48,816	495	6	49,317
Residential real estate	144,394	-	710	145,104
Other consumer	147,886	-	1,369	149,255
Total	$ 437,556	$ 2,423	$ 3,695	$ 443,674

2020	Pass	Other Assets Especially Mentioned	Substandard	Total
Commercial real estate	$ 89,836	$ 2,730	$ 1,627	$ 94,193
Commercial & industrial	80,144	-	13	80,157
Residential real estate	122,824	-	494	123,318
Other consumer	131,748	-	696	132,444
Total	$ 424,552	$ 2,730	$ 2,830	$ 430,112

(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, 2021 and 2020 (in thousands):

2021	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	76	76	23	76	-
Residential real estate	382	382	61	382	7
Other consumer	925	925	414	925	42
Total:					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial & industrial	76	76	23	76	-
Residential real estate	382	382	61	382	7
Other consumer	925	925	414	925	42

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

(5) Loans and Allowances (continued)

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

At December 31,	2021	2020
Commercial real estate	$ -	$ -
Commercial & industrial	76	39
Residential real estate	382	-
Other consumer	925	649
Total	$ 1,383	$ 688

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.

Elevated end of year delinquencies were largely affected by internal operational factors in the last two months of 2021 and are expected to decline significantly over the next two quarters.

The following tables present the classes of the loan portfolio summarized by the past due status at December 31, 2021 and 2020 (in thousands):

2021	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	$ -	$ -	$ -	$ -	$ 99,998	$ 99,998	$ -
Commercial & industrial	292	45	6	343	48,974	49,317	6
Residential real estate	957	129	329	1,415	143,689	145,104	329
Other consumer	3,243	1,.000	368	4,611	144,644	149,255	368
Total	$ 4,492	$ 1,174	$ 703	$ 6,369	$ 437,305	$ 443,674	$ 703

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	-	-	-	-	80,157	80,157	-
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	$ 428,195	$ 430,112	$ 514

(5) Loan and Allowance (continued)

During 2021 due to the COVID-19 pandemic, the Bank continued to issue Paycheck Protection Program (PPP) loans to provide financial support to help serve our communities during this time of need. Many of these loans have been subsequently forgiven as approved by the Small Business Administration (SBA).

A summary of the PPP loan activity for the year is below:

PPP Loan Activity:	Number of Loans	Amount of Loans
2020:		
Original loans issued	579	$ 42,042
Subsequent forgiveness	(126)	(10,228)
PPP loan balances 12/31/2020	453	$ 31,814
2021:		
Original loans issued	281	$ 19,157
Subsequent forgiveness	(657)	(47,013)
PPP loan balances 12/31/2021	77	$ 3,958

During 2021 and 2020, the Bank collected Small Business Administration PPP loan processing fees of $1,093,000 and $1,868,000, respectively. We recognized $1,820,000 and $948,000 into income for 2021 and 2020, respectively. The fees recognized are reported within Interest and Fee Income on loans in the Income Statement. The remaining unearned fee amount is $193,000 as of December 31, 2021 which 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, 2021 and 2020, the amount of loans pledged is $55,455,000 and $54,055,000 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 $71.8 million and $85.4 million at December 31, 2021 and 2020, 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, 2021 and 2020:

2020:	Gross Carrying Value	Accumulated Amortization	Impairment Allowance	Net
Balance January 1, 2020	$ 1,483	$ (796)	$ (68)	$ 619
Mortgage servicing rights capitalized	116	-	-	116
Amortized to expense	-	(143)	-	(143)
Impairment (loss)	-	-	(82)	(82)
Balance December 31, 2020	$ 1,599	$ (939)	$ (150)	$ 510
Estimated fair value				$ 510
2021:				
Mortgage servicing rights capitalized	$ 19	$ -	$ -	$ 19
Amortized to expense	-	(132)	-	(132)
Impairment recovery	-	-	109	109
Balance December 31, 2021	$ 1,618	$ (1,071)	$ (41)	$ 506
Estimated fair value				$ 506

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 in Non-Interest Income. Subsequent recoveries are also recognized in earnings in Non-Interest Income 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 by $41,000 vs. the prior year amount of 150,000; therefore, we recognized an impairment recovery of $109,000.

The asset impairment charge or recovery, amortization expense, and servicing income are all collectively reported in the Consolidated statement of income in other non-interest income. Servicing income earned was $194,000 and $206,000 for the years ended December 31, 2021 and 2020, respectively.

(7) Premises and Equipment

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

At December 31,	2021	2020
Land	$ 1,567	$ 1,567
Bank premises	12,235	12,120
Equipment and furniture	4,622	4,601
Construction in progress	858	155
Total	19,282	18,443
Less: accumulated depreciation	(9,548)	(9,193)
Premises and equipment, net	$ 9,734	$ 9,250

Depreciation expense was $843,000 and $836,000 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, we disposed a portion of our fully depreciated assets and removed $501,000 in cost and $489,000 in accumulated depreciation accounts, resulting in impairment losses of ($12,000).

The Company owns several properties that it leases to others. Rental income recognized is $237,000 and $177,000 and is included in other noninterest income during the years ended 2021 and 2020, respectively.

(8) Other Real Estate Owned

There was no other real estate owned outstanding as of December 31, 2021 or December 31, 2020. Any foreclosed residential real estate property is recorded as a result of obtaining physical possession of the property. As of December 31, 2021 and 2020, respectively, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process is zero and $116,000 respectively.

(9) Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2021 and 2020 are as follows: (in thousand)

Fair Value Measurements at Reporting Date Using

2021	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	$ -	$ 32,297	$ -	$ 32,297
State and local government municipalities	-	60,054	-	60,054
Mortgage-backed securities	-	10,411	-	10,411
Total investment securities available-for-sale	-	102,762	-	102,762
Readily marketable equity securities	62	-	-	62
Total assets measured at fair value	$ 62	$ 102,762	$ -	$ 102,824
2020				
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

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) 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 6.5 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 2021 and 2020 is as follows

(in thousands)	2021			
	Gross Carrying Amount	Accumulated Amortization	Impairment Allowance	Net Intangibles
Amortized intangible assets:				
Customer relationships	$ 230	$ (121)	$ -	$ 109
Mortgage servicing rights	1,618	(1,071)	(41)	506
Total	$ 1,848	$ (1,192)	$ (41)	$ 615
	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

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

2022	$ 67
2023	67
2024	67
2025	67
2026	67
Thereafter	280
Total	$ 615

(11) Deposits

Time deposits (included in Interest Bearing Deposits) that meet or exceed the FDIC Insurance limit of $250,000 at year-end 2021 and 2020 were $3,693,000 and $3,312,000 respectively.

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

2022	$ 25,885
2023	2,176
2024	398
2025	703
2026	1,024
	$ 30,186

(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, 2021 and 2020 are summarized as follows:

	12/31/2021	12/31/2020
Loan Balance - Beginning of Year	$ 2,191	$ 3,246
New Loans	392	1,112
Payments	(1,021)	(2,167)
Loan Balance End of Year	$ 1,562	$ 2,191

The Bank held deposits of $2,501,000 and $5,024,000 for related parties at December 31, 2021 and 2020, respectively.

(13) Borrowings

The Bank loan was issued on September 17, 2021 for $5,000,000. The loan proceeds were used to refinance the prior bank loan from a variable to a fixed rate plus to provide more financial support toward the subsidiary Bank. The terms of this loan include: fixed interest 3.75% and final maturity date September 15, 2031. Principal and interest is paid quarterly. 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 Company is in compliance with all debt covenants as required for all of these borrowings.

The Bank also has other line of credit lines available with its correspondents banks totaling $77,455,000 as of December 31, 2021. No borrowings are currently outstanding on these lines.

Borrowings outstanding (in thousands):

At December 31,	2021	2020
Short term:		
Current portion of long-term	$ 526	$ 385
Total short-term borrowings	526	385
Long-term:		
Bank loan	4,896	2,204
Other	352	450
Total long-term borrowings	5,248	2,654
Less: current portion	(526)	(385)
Long-term portion	4,722	2,269
Total borrowings	$ 5,248	$ 2,654

At December 31, 2021, scheduled repayments of borrowings are as follows:
(in thousands)

2022	$ 526
2023	517
2024	478
2025	497
2026	517
Thereafter	2,713
Total	$ 5,248

(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, 2021 and 2020, respectively.

(in thousands)

As of December 31,	2021	2020
Reconciliation of pension benefit obligation		
Obligation at beginning of year	$ 20,940	$ 18,899
Service cost including expenses	133	121
Interest cost	542	654
Actuarial gain (loss)	(571)	2,339
Benefit payments and expected expenses	(1,110)	(1,073)
Obligation at end of year	19,934	20,940
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	25,323	21,825
Actual return on plan assets	3,014	4,584
Employer contributions	-	-
Benefit payments and actual expenses	(1,055)	(1,086)
Fair value of plan assets at end of year	27,282	25,323
Funded status at end of year	$ 7,348	$ 4,383
Amounts recognized in the balance sheet		
Included in other assets	$ 7,348	$ 4,383
Amounts recognized in AOCI		
Gain/(loss)	(884)	(3,191)
Components of net periodic pension cost (income) and other amounts recognized in other comprehensive income		
Service cost	$ 133	$ 121
Interest cost	542	654
Expected return on plan assets	(1,362)	(1,278)
Amortization of net (gain) loss	28	83
Net periodic pension cost/(income)	(659)	(420)
Other changes in plan assets and benefit obligations recognized in other comprehensive income		
Net loss (gain)	(2,279)	(953)
Amortization of net (loss)	(28)	(83)
Total amount recognized in other comprehensive income	(2,307)	(1,036)
Total amount recognized in net periodic pension cost (income) and other comprehensive income	$ (2,966)	$ (1,456)

(14) Pension Plan (continued)

Weighted average assumptions used	Used for Net Pension cost in fiscal year 1/1/21- 12/31/21	Used for Pension obligation as of 12/31/2021
Discount rate	2.66%	2.95%
Long-term rate of return	5.50%	N/A

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

2022	$ 1,056
2023	$ 1,057
2024	$ 1,083
2025	$ 1,085
2026	$ 1,078
2027-2031	$ 5,274

The plan asset allocations by asset category are as follows:

Fair value, December 31	2021	2020
Equity securities	64%	32%
Fixed income	30%	63%
Other	6%	5%
Total	100%	100%

(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 $7,430,000 and $6,138,000 as of December 31, 2021 and 2020, respectively. Both the deferred compensation assets and liability accounts are recorded at fair market value at the end of each quarter. The compensation expense incurred for new deferred compensation awards for the year-end 2021 and 2020 were $275,000 and $81,000, respectively. This amount is included in salaries and benefits on the income statement and are recognized as new awards are earned from the participant.

The Bank adopted a defined Contribution plan, Supplemental Executive Retirement Plan (the SERP), effective January 1, 2015. The SERP participants include selected senior Executive Officers of the Bank who were approved by the Board of Directors. The SERP is intended to provide a benefit from the Bank upon retirement, death, disability, voluntary, or involuntary termination of service (other than "for cause"), subject to requirements of Section 409A of Internal Revenue Code. The Executives are one hundred percent (100%) vested in this plan at all times. The contribution amounts are determined by the Bank, in its sole discretion and could be adjusted from time to time to keep pace with salary adjustments or for any other reason. This contribution is made annually to each executive's account, which is due as of the first day of each calendar year. In the event the Executive's employment is terminated for Cause, no benefits of any kind will be due or payable by the bank under the terms of this Plan and all rights of the Executive, his or her designated beneficiary to receive payments shall be forfeited. In the event the Executive is entitled to a benefit from the SERP due to retirement or other termination of employment, the benefits will be paid in monthly installments over a period of two hundred forty (240) months. Installments will commence within ninety (90) days following Executive's separation from service. At December 31, 2021 and 2020, other liabilities included $ 747,000 and $589,000 respectively, accrued under this plan.

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 and an additional 3% discretionary contribution. Expense for 2021 and 2020 was $476,000 and $480,000, respectively.

(16) Income Taxes

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

As of December 31,	2021	2020
Current:		
Federal	$ 1,031	$ 769
State	4	4
Total current	1,035	773
Deferred:		
Federal	(56)	40
State	-	-
Total deferred	(56)	40
Applicable income taxes	$ 979	$ 813

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,	2021	2020
Federal income tax at statutory rate		
(21% for 2021 and 2020)	$ 1,014	$ 812
State tax net of federal income tax effect		
(6.5% for 2021 and 2020)	4	3
Municipal bond interest	(101)	(44)
Other	62	42
Total	$ 979	$ 813

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

At December 31,	2021	2020
Deferred tax assets:		
Allowance for loan losses	$ 1,191	$ 1,060
Deferred compensation	757	636
Deferred fees	40	193
Net operating loss	-	-
Securities	125	-
Other	164	150
Deferred tax assets	2,277	2,039
Deferred tax liabilities:		
Pension	(1,543)	(921)
Depreciation	(348)	(430)
Servicing rights	(106)	(107)
Securities	-	(104)
Deferred tax liabilities	(1,997)	(1,562)
Net deferred tax assets	$ 280	477

(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, 2021, 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 2021 and 2020, 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:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Thresholds		Minimum To Be Well Capitalized with Buffer	
2021	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets)	55,225	13.01%	33,962	8.00%	42,452	10.00%	44,574	10.50%
Tier 1 Capital (to risk-weighted assets)	49,906	11.76%	25,471	6.00%	33,962	8.00%	36,084	8.50%
Common Equity Tier 1 (to risk-weighted assets)	49,906	11.76%	19,103	4.50%	27,594	6.50%	29,716	7.00%
Tier 1 Capital (to quarterly average assets)	49,906	7.45%	26,809	4.00%	33,511	5.00%	33,511	5.00%
2020								
Total Capital (to risk-weighted assets)	48,700	12.74%	30,584	8.00%	38,230	10.00%	40,141	10.50%
Tier 1 Capital (to risk-weighted assets)	43,906	11.48%	22,938	6.00%	30,584	8.00%	32,495	8.50%
Common Equity Tier 1 (to risk-weighted assets)	43,906	11.48%	17,203	4.50%	24,849	6.50%	26,761	7.00%
Tier 1 Capital (to quarterly average assets)	43,906	7.43%	23,639	4.00%	29,549	5.00%	29,549	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, 2021 and 2020 are as follows (in thousands):

As of December 31,	2021	2020
Commitments to extend credit	$ 58,856	$ 61,276
Performance standby letters of credit	$ 1,277	$ 1,617

Commitments to extend credit are legally binding agreements to lend to customers. Commitments generally have fixed expiration dates or other termination claus-es 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 necessari-ly 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, 2021		
(in thousands)	Pension Plan	Unrealized Gains and (Losses) on AFS Securities	Total
Beginning Balance	$ (2,520)	$ 378	$ (2,142)
OCI before reclassifications	1,800	(869)	931
Amounts Reclassified from AOCI	22	-	22
Ending Balance	$ (698)	$ (491)	$ (1,189)

	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)

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

Details about AOCI Components	12/31/2021	12/31/2020	Affected Line Item in the Statement of Income
Pension Plan Items			
Retirement Plan Net Losses	$ (28)	$ (83)	Salaries and Employee Benefits
Recognized in Plan Expenses	6	17	Applicable income taxes
	$ (22)	$ (66)	Net Income
Available-for-sale Securities			
Realized gain (loss) on	$ -	$ 47	Net gains (losses) on sales of debt securities
Sale of Securities	-	(10)	Applicable income taxes
	$ -	$ 37	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 in the statement of income. The following table presents revenues subject to ASC 606 for the years ended December 31, 2021 and 2020 respectively.

(in thousands)

At December 31,	2021	2020
Customer service charges and fees:		
Insufficient funds	$ 491	$ 464
Deposit related fees	229	252
ATM charges	88	87
Safe deposit rental income	82	83
Total service charges	890	886
Insurance and brokerage:		
Insurance commissions	767	727
Brokerage commissions	442	488
Total insurance and brokerage	1,209	1,215
Interchange Fee Income	1,266	1,088
Mortgage loan servicing fee income and gain on sale of loans:		
Loan servicing fees	194	206
Mortgage servicing rights amortization and impairments	(23)	(225)
Net gains on sales of loans	126	557
Total mortgage loan servicing and gain on sales of loans	297	538
Total revenue within scope of Revenue recognition standard	3,662	3,727
Net gains (losses) on sales of investment securities	-	58
Unrealized gains (losses) on equity securities	25	5
Other miscellaneous income	463	315
Total noninterest income	$ 4,150	$ 4,105

(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.

Robert J. Dieterich

Chief Financial Officer

February 16, 2022
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

Scott D. Stevens, Chairman

Bruce W. McConnelee

David D. Montana

Lynn M. Roche

Karl F. Sindel

This page intentionally left blank.

This page intentionally left blank.

GLENVILLE BANK HOLDING COMPANY