Canandaigua National Corporation

Strong presence.
Strong performance.

2021 ANNUAL REPORT AND FINANCIAL STATEMENTS

A strategy for strength and perseverance.

As we entered 2021, we were well aware that the pandemic would continue to impact our customers and communities. That's why we remained steadfast in our commitment to support businesses and individuals in need; prepared for a variety of challenges as the ripple effects of the pandemic continued; and planned for what was expected to be a modest year.

CNC remained focused on exceptional customer service, provided quality products and solutions, and implemented technology and automation to improve operational efficiencies in an ever-changing environment. True to our community bank model, we supported organizations in our area that delivered much-needed critical services to the communities we share, as we have since our inception in 1887.

This deliberate, yet simple approach allowed us to respond to the favorable trends that presented themselves and capitalize on the opportunities that unfolded. And as we've done through every economic cycle, we have not only survived, but thrived in challenging times.

February 4, 2022

A message from
Frank H. Hamlin, III,
President and CEO

Dear Shareholders,

2021 was a good year for us. On a reported basis, net income and diluted earnings per share increased 5.9% to $44.7 million and 6.0% to $23.77, respectively, compared to 2020. Return on average assets for 2021 was 1.14%, while return on average equity was 14.57%. On a comparable basis (excluding the gain on sale of OBS in 2020), net income and diluted earnings per share increased 20.2% and 20.3%, respectively, compared to 2020. These financial results are materially better than we had anticipated in the beginning of 2021 and were driven by several factors discussed below. I would be remiss if I failed to mention that our stock price increased 36% through the course of 2021. For reference, the increase during 2020 was only 8%, which is more in line with our historical experience.

As 2021 commenced, we witnessed the authorization of another round of the Paycheck Protection Program (PPP). This program was designed to cover payroll and other expenses so that businesses would not have to lay off workers and/or close due to the pandemic. Eligibility in 2021 was expanded to include entities ineligible in previous rounds. We were able to leverage the automation we created for this program in 2020 while continuing to pump grant dollars into our community and attracting new customers with whom we might not otherwise have had the opportunity to meet. This program has been the gift that keeps giving, providing us with increased customer acquisition and revenue we had not anticipated for 2021. In 2021 alone, $170 million of PPP loans were originated. Including 2020, the total amount of PPP loans provided through our organization was over $528 million. This included meeting the needs of nearly 2,000 businesses without prior relationships with CNB.

The credit quality within our loan portfolios through the end of 2020 (the first year of the pandemic) had been far better than we had expected earlier in the year. In 2021, we were concerned stimulus funds might be masking the true financial condition of the economy. Once stimulus programs stopped, the concern was that the economy would not yet be fully functional, thus adversely affecting individuals' and business' ability to repay their loans. To our delight, our credit quality has remained healthy throughout 2021, which resulted in a lower total provision for loan losses and thus, greater than expected net income.

Throughout the year, we have been pleasantly surprised with lending demand. Gross loans, exclusive of PPP loans, increased 13.9% over 2020 to $3.1 billion. This increase was contrary to the experience of most of our peers, who were happy to stay flat or grow one or two percent. More specifically, our commercial (excluding PPP loans) and consumer portfolios grew 13.8% and 26.1%, respectively, over 2020.

Residential mortgage lending had another banner year, closing over $575 million of loans in 2021, which follows the historic highs of $665 million last year. Although we saw a decrease of refinance activity, we also saw an increase in the average size of purchase mortgages. Housing prices continue to rise due to the combination of historically low interest rates and high demand relative to homes available for sale. Our mortgage employees have been working vigorously to accommodate our customers and their associated closing dates over the last two years. We are now recognized as being #1 for mortgage originations in our market area. (See the *Rochester Business Journal* Book of Lists – 2022 Edition.)

As of December 31, 2021, Brian Pasley, our Executive Vice President for Consumer Lending, as well as manager of our CNB Mortgage Portfolio, has retired. After a decade of service, Brian's guidance and expertise were woven throughout the organization. His responsibilities included serving as Community Reinvestment Act Officer, serving as a member of the Asset and Liability Committee, and overseeing all facets of lending, such as product management, service delivery, and operational management. Brian's stability and positive nature helped guide CNC throughout extreme economic cycles and unprecedented times in the lending environment. I am pleased that Brian will remain with us as a board member for the CNB Mortgage Company, as his experience and insights are highly valued and of great benefit to our organization.

Due to the combination of a steadily increasing stock market and the extraordinary efforts of our employees, the Wealth Department was also exceptionally successful in 2021. The market value of assets under management increased 18%, equaling $4.7 billion during 2021! This encompasses market appreciation as well as net new money obtained through new customer acquisitions and inflows to existing customer accounts. These are exceptional results during a time of amplified concern over the general state of the economy!

Deposits increased 18.5% over 2020 to $3.5 billion. In 2020, we saw large increases in deposits due to government stimulus programs and customer acquisition, augmented by our success with the Paycheck Protection Program. Our retail branch network has worked diligently to acquire new customers and deepen relationships with existing customers established through this year's and last year's PPP. This growth is well above historical numbers. It was widely believed that these stimulus-inflated deposits would quickly return to normal levels as they flowed into the stock market and otherwise flowed outside the community. To date, that has not happened.

On the public policy front, we have been hearing increased enthusiasm regarding the potential for a "Public Bank." This effort is being spearheaded by New York's Chairman of the NYS Senate Banking Committee, Hon. James Sanders. The notion of a Public Bank comes into vogue from time to time in any given jurisdiction as a solution to broad and poorly defined social problems without any thought around practical considerations surrounding the complexity of the subject matter. Once that complexity is finally appreciated, some form of feasibility study is usually commissioned; in the past, such studies have concluded that a Public Bank is likely to cost the taxpayers a huge amount of money without accomplishing any of the stated goals. Let us also remember that a Public Bank would not pay taxes on its revenues, thus creating credit risk for taxpayers while also diminishing tax revenues to offset those losses. This proposal does not yet appear to have wide appeal; however, we will continue to monitor it in hopes we can guide the process to our preferred conclusion.

We also have been watching and commenting on the Consumer Financial Protection Bureau's (CFPB) efforts to expand mandatory reporting to the government on small-business borrowers. Under the banner of fair lending, consumers would be asked to disclose their personal demographics, among other information, to obtain credit. Although it is important to ensure there is not discrimination within the lending process, there are other considerations at play here, such as the cost of administration and the practical aspects of collecting such information from customers. We continue to engage in this process.

There has been activity surrounding the reporting requirements and standards involving the Community Reinvestment Act, which focuses on banking institutions' activities within their defined market areas. After significant collaboration between regulators and industry constituents, it was ultimately determined that the current (newer) standard be abandoned and replaced with the standards adopted in 1995. This is a positive development, because it provides us with some predictability in examination outcome, which is important due to the severe sanctions that can result.

On the credit union front, efforts continue to gain access to the municipal deposit market, despite not meaningfully contributing to the municipal revenues from which they are seeking to benefit. The industry has grown to over $2 trillion in deposits while continuing to dodge regulatory scrutiny required of community banks. Additionally, we have witnessed increasing numbers of acquisitions of community banks by large credit unions. Essentially, by these acquisitions, organizations leverage their tax-exempt status to take tax revenue-producing community banks off the tax rolls. We continue to have conversations with legislators regarding the disparate treatment between community banks and credit unions. At some point, the credit union industry will remove enough tax revenue from the tax rolls that politicians will react.

In reference to taxation, there was a push in 2021 to require financial institutions to report to the Internal Revenue Service (IRS) any customer with gross inflows or outflows of greater than $600 per year. It is important to note, this was not about the reporting of individual transactions; however, it would have required banks to provide an annual report of accounts meeting the inflow/outflow threshold – essentially, just about all bank customers. This policy was met with significant nationwide grassroots pushback, at which point the Administration increased the requirement to $10,000 – which would still involve the vast majority of bank account holders. Again, there was significant pushback, and the proposal was eventually put on the back burner. We are under no illusion that this idea is in fact dead, and we are watching for its re-emergence in some form. This proposal would have been exceptionally expensive to implement and maintain in terms of time, resources, and money. Cost was not the only reason why we opposed the proposal.

Although politicians have become accustomed to the financial services industry performing law enforcement surveillance services pursuant to regulations requiring it to do so, it does not mean it is proper. In fact, a prohibition of "general searches" by the "Crown" was the explicit focus of the Fourth Amendment of the U.S. Constitution. This IRS reporting proposal is a search of an individual's "papers and effects" without a showing of probable cause. It is, in fact, a "general search."

While the IRS reporting proposal was in active consideration, we provided a link on our web page to "write your Congress person" in opposition. In general, this was met with great approval, as evidenced by the thousands of our customers who clicked the link. We did receive some feedback from shareholders and customers suggesting that it is not the place of the Bank to insert itself in politics. I agree we should not support or oppose public policy considerations based upon the political party putting forth the proposal. Nor, however, should we stand silent when "well intentioned" proposals contradict foundational principles of our democracy. At least once a year, I have been meeting with legislators in Albany and Washington, D.C. to discuss public policy relating to banking, finance, and economic matters. Our prior CEO, George W. Hamlin, IV, did the same throughout his 37-year tenure, as did his predecessor, Arthur Hamlin. Community Banking is simply too important to the economic viability of our community to allow legislators to act without being made aware of the potential consequences of their beneficial intentions. This subject matter is complex, and the political narratives often do not reflect all the factual realities involved. It is our duty to ensure that policy makers consider the totality of the circumstances before they act.

COVID-19 continued to present challenges throughout 2021. We started the year with relatively high community infection rates, which progressively declined as the year continued. As rates decreased, so, too, did restrictions around social distancing and gatherings. As we headed into the summer, we saw an increase in the number of staff returning to the office. Depending on the function and/or individual staff requirements, many continued to work remotely, yet many began working a hybrid schedule, alternating between coming into the office and working from home. This helped keep population density in our buildings lower, while also giving staff the opportunity to see one another again and enjoy camaraderie!

In July 2021, we opened our Geneva office at 287 Hamilton Street, across from the Wegmans Plaza. We have been so pleased by the reception from the community, who clearly appreciated an upgrade from our standalone ATM located at the same site for the past several years. And those familiar with the Geneva community may recognize our manager, Diana Perry, and her team of local, experienced financial services professionals.

The pandemic demonstrated that, out of necessity, businesses can run profitably and efficiently with large portions of staff members working remotely. We were also able to demonstrate our ability to still do business within our community by utilizing technology instead of face-to-face interaction in many cases.

Of course, there is something gained in spontaneous conversation between meetings or seeing people in the hallway. The technology solutions are wonderful but simply can't replace face-to-face communication in some respects. Thus, we were excited to start meeting in person for a brief period while COVID-19 rates were low. We even began planning traditional events such as retirement parties and year-end gatherings. But as we entered the fall, infection numbers began steadily increasing until eventually exploding in December with the Omicron variant. We went back to masking and distancing requirements and reverted once again to remote meetings.

Although our branches have remained open, it has been a struggle due to staffing challenges. To date, we have shut down only one branch for a day or two, due to isolation requirements. In some branches, we have been forced to close the lobby while keeping the Drive-up open until full staffing could be achieved. Working remotely is not an option for those in the branches and thus, they have been working, in person, throughout this pandemic. With that comes interacting with a community base holding a wide range of beliefs surrounding the dangers of COVID-19. They have handled the environment with diplomacy and class! Please make sure you give them your thanks for a job well done in this trying environment.

The guidelines and mandates surrounding COVID-19 shifted continuously throughout 2021. Of greatest concern was the Occupational Safety and Health Administration's (OSHA) Emergency Temporary Standard mandate requiring employers with more than 100 employees to either mandate vaccinations or implement a weekly testing regimen and mask requirement for those not fully vaccinated. In theory, this was a great idea. Realistically, this would have been a logistical nightmare with potentially severe penalties for deviations from a resulting policy, even if unintentional.

We have been masking, distancing, working remotely, contact tracing, testing (when staff members begin exhibiting symptoms), and isolating those who have been exposed and/or tested positive. These measures have prevented spread of infection within the institution. To the extent that individuals have tested positive, it appears exposure has occurred at home or during personal time. The U.S. Supreme Court issued a stay of the OSHA requirements pending full examination by the Sixth Circuit Court of Appeals; and as of this writing, OSHA has withdrawn its mandate, leaving the Sixth Circuit with nothing to decide, at least for now. If a national agency or a local jurisdiction has legal authority to issue a similar mandate and does in fact do so, we are prepared to comply. In the interim, we will continue to adjust to the evolving environment and guidelines issued by Federal, State, and local health officials.

From an operations standpoint over the year, we continued to adapt and streamline our processes to do business in this strange environment. To some extent, it has become the new normal. Thankfully, we have been able to adjust to meet the needs of our customers, as demonstrated by our continued growth and exceptional financial results. Our strategies surrounding technology and infrastructure enhancements are continuing to pay dividends. Our culture continues to carry the day to ensure our customer focus remains on relationships instead of transactions.

I sincerely look forward to having the ability to gather again. With any luck, in 2022, COVID-19 and its variants will become impotent, and we will no longer need to decide whether meeting in groups is a "good idea." I look forward to celebrating the successes and contributions of those who have recently retired, as well as meeting those who recently have joined our ranks. We worked hard in 2021 and we look forward to meeting together again to greater leverage the ingenuity, creativity, and energy that occurs whenever you gather great people who share a sense of community!

In the fourth quarter of 2021, I was approached by Jaime Saunders, President & CEO, United Way of Greater Rochester and the Finger Lakes and Bill Goodrich, CEO of LeChase Construction Service, LLC and 2021 Campaign Chair, with a request to chair the first-ever six-county United Way campaign and the 104th annual campaign themed *Make Way for Good* in 2022. I was humbled and honored by their ask, and I truly believe it is a reflection of the entire CNB staff of over 600, and the contributions they make in the communities we serve, through their donations of time and treasure. It was a privilege to accept the role as campaign chair and I fully support the focus in 2022 of moving forward, advancing the next generation, and sparking equal opportunity.

The COVID-19 pandemic has amplified our community's challenges, but right now, we all have an opportunity to help make our region a better place. We can rally and be a greater force for positive change. For the 2022 campaign, all new and increased donations to United Way's Community Impact Fund will be matched, dollar for dollar, up to $500,000, thanks to the Canandaigua National Bank & Trust six-county Challenge Grant. I would be remiss if I didn't take this opportunity to ask that you consider providing a new or increased contribution to the United Way of Greater Rochester and the Finger Lakes in support of this worthy cause. I encourage you to follow along with the good work we're doing and look for updates in future communications.

Thank you again for your support and advocacy.

Yours,

Frank H. Hamlin III

Frank H. Hamlin, III
President and CEO

CNC Shareholder Relations

Canandaigua National Corporation (CNC) is the holding company for The Canandaigua National Bank & Trust Company (CNB) and Canandaigua National Trust Company of Florida (CNTF). In combination, these companies and their subsidiaries provide a full range of financial services, including banking, trust, investment management, and insurance services to individuals, corporations, and municipalities.

CNB is an independent community bank and a member of the FDIC. CNC stock is not traded on an exchange like other Wall Street stocks, but in auctions based on purchase and sale bids submitted in a sealed-bid process.

Consistent with our strategy as a community bank, we make decisions locally – based solely on what's best for our valued customers, the communities we serve, our employees, and our shareholders.

As one of CNC's constituents, shareholders are an important part of our past success and bright future. Many of our shareholders are also colleagues, community members, and customers who have been a part of the CNC family for generations.

Scott B. Trumbower
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Shareholder Relations Team

The Shareholder Relations Team is dedicated to assisting current and prospective shareholders with inquiries and a variety of shareholder-related activities. These may include buying, selling, and gifting shares; tax cost basis research; dividend payment details; updating contact information; exchanging physical certificates for safer book entry statements; and all general CNC questions.

2021 Shareholder Relations Updates

We are pleased to share the continued development of the Shareholder Relations page located on the Canandaigua National Bank & Trust website: CNBank.com/Shareholder Relations. On this page you will find current share price, recent high/low bids, the date of our next stock sale, dividend information, and more. This information is regularly updated and available online at your convenience.

We are also excited to announce the formation of our Shareholder Advisory Group. This group is comprised of a diverse set of shareholders who will provide valuable insights, guidance, and feedback as we further develop our shareholder education, communications, and overall experience.

Your Shareholder Relations Team is located at:
CNB Main Office, Wealth Management Suite
72 South Main Street, Canandaigua, NY 14424

CANANDAIGUA NATIONAL CORPORATION

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2021 Annual Report

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Annual Meeting

The Annual Meeting of Shareholders of Canandaigua National Corporation (the Parent) will be held virtually via live webcast on the website www.cesonlineservices.com/cnnd22_vm and in person at 72 South Main Street, Canandaigua, NY, 14424; Wednesday, April 20, 2022, at 1:00 p.m.

Note: To participate via webcast, a shareholder must pre-register at www.cesonlineservices.com/cnnd22_vm no later than 1:00 p.m. Eastern Time, Tuesday, April 19, 2022, 24 hours prior to the start of the meeting. To participate in person, please be prepared for social distancing and masking protocols which may be in place on that date.

Presented below is a summary of selected financial highlights to display a snapshot of our performance for the past five years. Balance sheet information is as of the year end, while income statement and average balance information is for the full-year period. This and all information concerning our financial performance should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

Additional information on the Company's Common Stock, including quarterly high, low, and weighted average sales prices associated with sealed-bid public auctions administered by the Bank's Trust Department is available on the Company's website. (https://www.cnbank.com/Your_Bank/About_Us/CNC_Financials/)

Financial Highlights
(Dollars in thousands except per share data)

	2021	% Change	2020	2019	2018	2017
Income Statement Information:						
Net interest income	$ 127,396	17.9 %	108,044	100,426	93,307	82,821
Provision for loan losses	7,416	(45.4)%	13,592	6,850	7,775	6,400
Non-interest income (1)	56,346	(5.7)%	59,738	51,481	52,360	44,618
Operating expenses	117,577	18.7 %	99,091	94,472	91,844	82,219
Income taxes (2)	14,000	9.1 %	12,829	11,402	10,131	16,790
Net income attributable to CNC	44,744	5.9 %	42,265	39,178	35,912	22,025
Balance Sheet Data - Period End:						
Investments (3)	$ 836,170	101.3 %	415,321	394,456	424,282	404,125
Loans, net	3,152,407	6.8 %	2,951,484	2,437,588	2,303,449	2,134,000
Assets	4,160,371	14.4 %	3,635,357	3,015,665	2,862,493	2,661,716
Deposits	3,515,990	18.5 %	2,965,948	2,387,940	2,240,985	2,138,894
Borrowings	200,000	(20.0)%	250,000	250,000	305,100	238,400
Equity	318,713	7.8 %	295,747	265,971	233,659	207,903
Balance Sheet Data - Average:						
Investments (3)	$ 636,456	62.7 %	391,105	401,288	397,446	356,969
Loans, net	3,106,898	10.7 %	2,805,615	2,374,738	2,231,890	2,033,273
Assets	3,942,058	15.3 %	3,419,157	2,954,166	2,768,540	2,588,607
Deposits	3,306,531	20.6 %	2,741,807	2,346,916	2,182,049	2,088,167
Borrowings	219,304	(18.7)%	269,668	256,823	274,118	204,963
Equity	307,135	10.5 %	277,867	249,040	219,017	202,166
Asset Under Administration: (4)						
Market value	$ 4,670,290	18.1 %	3,953,176	3,690,204	3,056,039	3,128,992
Per Share Data:						
Net income, basic	$ 23.90	5.9 %	22.57	20.91	19.16	11.75
Net income, diluted	23.77	6.0 %	22.43	20.77	18.97	11.58
Cash dividends	7.60	8.6 %	7.00	5.70	4.80	4.30
Book Value	169.94	7.5 %	158.09	142.18	124.85	111.11
Closing stock price (5)	301.54	36.4 %	221.03	204.44	187.54	163.73
Weighted average shares - diluted	1,882,449	(0.1)%	1,883,922	1,886,218	1,893,140	1,902,018
Other ratios:						
Return on average assets	1.14 %	(8.1)%	1.24 %	1.33 %	1.30 %	0.85 %
Return on average equity	14.57 %	(4.2)%	15.21 %	15.73 %	16.40 %	10.89 %
Return on beginning equity	15.13 %	(4.8)%	15.89 %	16.77 %	17.27 %	11.33 %
Dividend payout	31.97 %	2.5 %	31.20 %	27.44 %	25.31 %	37.14 %
Average equity to average assets	7.79 %	(4.2)%	8.13 %	8.43 %	7.91 %	7.81 %
Net interest margin	3.40 %	0.9 %	3.37 %	3.62 %	3.58 %	3.44 %
Efficiency (6)	63.94 %	8.3 %	59.03 %	62.04 %	62.43 %	64.01 %
Employees (year end)						
Total	622	7.2 %	580	572	556	541
FTE's	589	7.4 %	549	536	516	500

(1) 2020 includes an $8.1 million gain on sale attributed to the sale of WBI OBS Financial, LLC (WBI) and 2018 includes a similar gain of $4.6 million from the sale of our minority interest in USA Payrolls, Inc.

(2) 2017 was negatively impacted by a $3.7 million one-time non-cash write-down of net deferred tax assets upon the December 2017 enactment of the "Tax Cuts and Jobs Act of 2017", which reduced the statutory federal income tax rate to 21% from 35%. The lower tax rate positively impacted 2018, 2019, 2020, and 2021

(3) Includes the Company's investment in Federal Reserve Bank stock and Federal Home Loan Bank stock.

(4) These assets are held in a fiduciary or agency capacity for clients and are not included in our balance sheet.

(5) Price is based upon last sealed-bid auction of the respective year, administered by the Bank's Trust Department.

(6) Operating expenses, exclusive of intangible amortization, divided by total revenues.

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Canandaigua National Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Canandaigua National Corporation and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated February 24, 2022 expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Crowe LLP

Crowe LLP

Livingston, New Jersey
February 24, 2022

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020
(dollars in thousands, except share data)

		2021	2020
Assets			
Cash and due from banks	$	40,544	40,136
Interest-bearing deposits with other financial institutions of which $8,640 and $25,500 respectively, is restricted		12,260	99,666
Federal funds sold		175	1,296
Cash and cash equivalents		52,979	141,098
Securities:			
- Debt, Available for sale, at fair value		812,748	388,326
- Debt, Held-to-maturity (fair value of $2,082 and $3,289, respectively)		2,026	3,190
- Equity, at fair value		8,677	8,932
Loans held for sale, at lower of cost or fair value		10,719	17,549
Loans, gross		3,186,713	2,982,225
Allowance for loan losses		(34,306)	(30,741)
Loans - net		3,152,407	2,951,484
Premises and equipment – net		18,702	14,722
Accrued interest receivable		11,011	12,039
Federal Home Loan Bank stock and Federal Reserve Bank stock		12,719	14,873
Goodwill		8,818	8,818
Other assets		69,565	74,326
Total Assets	$	4,160,371	3,635,357
Liabilities and Stockholders' Equity			
Deposits:			
Demand			
Non-interest bearing	$	998,105	848,765
Interest bearing		483,006	408,362
Savings and money market		1,430,922	1,227,073
Time		603,957	481,748
Total deposits		3,515,990	2,965,948
Borrowings		200,000	250,000
Junior subordinated debentures		51,547	51,547
Accrued interest payable and other liabilities		74,121	72,115
Total Liabilities		3,841,658	3,339,610
Stockholders’ Equity:			
Canandaigua National Corporation stockholders' equity:			
Preferred stock, $.01 par value; 4,000,000 shares authorized, no shares issued or outstanding		-	-
Common stock, $5.00 par value; 16,000,000 shares authorized, 1,946,496 shares issued		9,732	9,732
Additional paid-in-capital		13,316	12,982
Retained earnings		314,581	284,284
Treasury stock, at cost (73,032 shares and 76,123 shares, respectively)		(12,209)	(12,505)
Accumulated other comprehensive income (loss), net		(7,048)	1,202
Total Canandaigua National Corporation Stockholders' Equity		318,372	295,695
Noncontrolling interests		341	52
Total Stockholders' Equity		318,713	295,747
Total Liabilities and Stockholders' Equity	$	4,160,371	3,635,357

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2021 and 2020
(dollars in thousands, except per share data)

		2021	2020
Interest income:			
Loans, including fees	$	130,388	118,384
Securities		8,478	6,698
Federal funds sold		1	3
Interest-bearing deposits with other financial institutions		57	146
Total interest income		138,924	125,231
Interest expense:			
Deposits		4,638	8,848
Borrowings		5,139	6,018
Junior subordinated debentures		1,751	2,321
Total interest expense		11,528	17,187
Net interest income		127,396	108,044
Provision for loan losses		7,416	13,592
Net interest income after provision for loan losses		119,980	94,452
Non-interest income:			
Service charges on deposit accounts		18,013	15,733
Trust and investment services		24,860	21,959
Brokerage and investment subadvisory services		504	1,159
Net gain on sale of mortgage loans		8,410	8,309
Loan servicing, net		1,357	965
Loan-related fees		360	271
Loss on securities transactions, net		(45)	(25)
Gain on sale of subsidiary, net		-	8,073
Other non-interest income		2,887	3,294
Total non-interest income		56,346	59,738
Operating expenses:			
Salaries and employee benefits		69,945	57,034
Technology and data processing		14,674	13,925
Occupancy, net		9,896	9,724
Professional and other services		7,078	5,676
Marketing and public relations		4,111	2,422
Office supplies, printing and postage		1,948	1,723
FDIC insurance		2,292	1,686
Intangible amortization		-	169
Other real estate operations		90	66
Other operating expenses		7,543	6,666
Total operating expenses		117,577	99,091
Income before income taxes		58,749	55,099
Income taxes		14,000	12,829
Net income		44,749	42,270
Net income attributable to noncontrolling interests		5	5
Net income attributable to Canandaigua National Corporation	$	44,744	42,265
Basic earnings per share	$	23.90	22.57
Diluted earnings per share	$	23.77	22.43

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2021 and 2020
(dollars in thousands)

		2021	2020
Net income	$	44,749	42,270
Other comprehensive income (loss):			
Unrealized net interest rate swap gains (losses) arising during the year, net of taxes of $266 and ($43) respectively		766	(118)
Unrealized net security (losses) gains arising during the year, net of taxes of ($3,012) and $392 respectively		(9,016)	1,133
Other comprehensive income (loss)		(8,250)	1,015
Total comprehensive income	$	36,499	43,285
Comprehensive income attributable to the noncontrolling interests	$	5	5
Comprehensive income attributable to the Company	$	36,494	43,280

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2021 and 2020
(dollars in thousands, except share data)

	Number of Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non controlling Interests	Total
Balance at December 31, 2019	1,870,250	$ 9,732	12,883	255,327	(12,210)	187	52	265,971
Total comprehensive income		-	-	42,265	-	1,015	5	43,285
Purchase of treasury stock	(5,152)				(1,084)			(1,084)
Sale of treasury stock	688		38		101			139
Shares issued as compensation	1,072		61		163			224
Exercise of stock options and stock appreciation rights	3,515			(194)	525			331
Cash dividends declared ($7.00 per share)				(13,114)				(13,114)
Dividend to noncontrolling interests							(5)	(5)
Balance at December 31, 2020	1,870,373	$ 9,732	12,982	284,284	(12,505)	1,202	52	295,747
Total comprehensive income		-	-	44,744	-	(8,250)	5	36,499
Purchase of treasury stock	(2,242)				(501)			(501)
Shares issued as compensation	824		64		123			187
Exercise of stock options and stock appreciation rights	4,509		270	(216)	674			728
Cash dividends declared ($7.60 per share)				(14,231)				(14,231)
Sale of noncontrolling interest							289	289
Dividend to noncontrolling interests							(5)	(5)
Balance at December 31, 2021	1,873,464	$ 9,732	13,316	314,581	(12,209)	(7,048)	341	318,713

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2021 and 2020
(dollars in thousands)

	2021	2020
Cash flow from operating activities:		
Net income	$ 44,749	$ 42,270
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	7,143	4,854
Provision for loan losses	7,416	13,592
Gain on sale of fixed and other assets and other real estate, net	(125)	(13)
Writedown of other real estate	11	5
Deferred income tax benefit	(2,499)	(379)
Loss on security transactions, net	45	25
Gain on sale of mortgage loans, net	(8,410)	(8,309)
Originations of loans held for sale	(403,165)	(502,995)
Proceeds from sale of loans held for sale	417,266	497,417
Gain on sale of subsidiary, net	-	(8,073)
Change in other assets	11,695	(22,212)
Change in other liabilities	1,384	13,436
Loss (Gain) on equity securities	255	(189)
Termination of ROU Asset and Lease Liability	-	(2)
Net change in operating lease right-of-use assets and liabilities	243	97
Net cash provided by operating activities	76,008	29,524
Cash flow from investing activities:		
Debt Securities, available-for-sale:		
Proceeds from maturities and calls	118,760	395,978
Purchases	(557,799)	(437,262)
Debt Securities, held to maturity:		
Proceeds from maturities and calls	3,277	22,374
Purchases	(2,123)	(1,310)
Loan originations in excess of principal collections, net	(208,767)	(527,488)
Purchase of premises and equipment, net	(6,588)	(3,155)
Redemption (Purchase) of Federal Home Loan Bank and Federal Reserve Bank stock	2,154	(150)
Proceeds from sale of subsidiary	-	11,811
Proceeds from sale of other real estate	450	118
Net cash used in investing activities	(650,636)	(539,084)
Cash flow from financing activities:		
Net increase in demand, savings and money market deposits	427,833	633,781
Net increase (decrease) in time deposits	122,209	(55,773)
Principal repayments of other borrowings	(50,000)	-
Exercise of stock options	728	331
Payments to acquire treasury stock	(501)	(1,084)
Proceeds from issuance of treasury stock under stock option plan	187	224
Proceeds from issuance of treasury stock	-	139
Change in noncontrolling interest, net	289	-
Dividends paid	(14,236)	(13,119)
Net cash provided by financing activities	486,509	564,499
Net (decrease) increase in cash and cash equivalents	(88,119)	54,939
Cash & cash equivalents - beginning of period	141,098	86,159
Cash and cash equivalents - end of period	$ 52,979	$ 141,098
Supplemental disclosure of cash flow information:		
Interest paid	$ 12,670	$ 17,797
Income taxes paid	14,934	16,323
Supplemental schedule of noncash investing activities		
Real estate acquired in settlement of loans	$ 428	$ -

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Business

Canandaigua National Corporation (the Parent) and subsidiaries (the Company) provides a full range of financial services, including banking, trust, investment, and insurance services to individuals, corporations, and municipalities. The Company is subject to competition from other financial services and commercial companies in various regulated and unregulated industries. The Company and its subsidiaries are subject to the regulations of certain federal and state agencies and undergo regular examinations by those regulatory authorities.

Basis of Presentation

The Consolidated Financial Statements include the accounts of the Parent and its wholly- and majority-owned subsidiaries. Its principal operations comprise the activities of The Canandaigua National Bank and Trust Company (the Bank), CNB Mortgage Company (CNBM), Canandaigua National Trust Company of Florida (CNTF), and WBI OBS Financial, LLC (WBI). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for investments in less-than-majority-owned entities under the equity method. The Consolidated Financial Statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles and conform to predominant practices within the financial services industry.

In February of 2020, the Company sold WBI OBS Financial, LLC (WBI) to a third party. The Company recorded a gain on sale of a subsidiary in the amount of $8.1 million. Total consideration of $23.1 million, minus net assets sold, including goodwill, of $8.8 million, and direct cost to sell of $6.2 million equates to the recorded gain on sale. The sale did not have a material impact on operating results after closing.

In preparing the Consolidated Financial Statements, management made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Amounts in prior years' Consolidated Financial Statements are reclassified whenever necessary to conform to the current year's presentation with no changes to net income or equity.

The Company has evaluated subsequent events through February 24, 2022, the date the financial statements were made available to be issued.

Operating Segments

The Company's business is conducted through a single business segment. While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a company-wide basis. Discrete financial information is not available other than on a company-wide basis. Accordingly, all of the final financial service operations are considered by management to be aggregated in one reportable operating segment.

Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash, interest-bearing deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold.

Securities

The Company classifies its securities as debt securities available for sale, debt securities held to maturity, or equity securities. Debt securities held to maturity are those that the Company has the ability and intent to hold until maturity. Debt securities held to maturity are recorded at amortized cost.

Debt securities available for sale are recorded at fair value. Except for unrealized losses charged to earnings for other-than-temporary-impairment deemed to be credit-related or based on intent to sell, unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are included in accumulated other comprehensive income in stockholders' equity until realized.

Equity securities with readily determinable fair values are measured at fair value with changes in fair value recognized in other non-interest income within the consolidated statements of income.

Management evaluates debt securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to: (1) the length of time and the extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) 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. A decline in fair value of any debt security below cost that is deemed other than temporary ("OTTI") and related to the credit-worthiness of the issuer is charged to earnings, resulting in the establishment of a new cost basis for the security. Management generally evaluates the credit-worthiness of the issuer based on their ability to produce sufficient cash flows to service the contractual debt obligation.

Interest income and dividends are recognized when earned. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the interest method. Realized gains and losses are included in earnings and are determined using the specific identification method.

Loans

Loans, other than loans designated as held for sale, are stated at the principal amount outstanding net of deferred origination fees and costs. Interest and deferred fees and costs on loans are credited to income based on the effective interest method. Loans held for sale are carried at the lower of cost or fair value.

The accrual of interest on commercial and real estate loans is generally discontinued, and previously accrued interest is reversed, when the loans become 90 days delinquent or sooner when, in management's judgment, the collection of principal and interest is uncertain. Loans are returned to accrual status when the doubt no longer exists about the loan's collectability and the borrower has demonstrated a sustained period of timely payment history. Specifically, the borrower will have resumed paying the full amount of scheduled interest and principal payments; all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within a reasonable period (6 months); and there is a sustained period of repayment performance (generally a minimum of six months) by the borrower, in accordance with the contractual terms involving payments of cash or cash equivalents. Interest on consumer loans is accrued until the loan becomes 120 days past due at which time principal and interest are generally charged off.

Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a loan to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, and sufficient information exists to make a reasonable estimate of the inherent loss, the amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, at the loan's observable fair value or the fair value of underlying collateral if the loan is collateral-dependent. In the absence of sufficient, current data to make a detailed assessment of collateral values or cash flows, management measures impairment on a pool basis using historical loss factors equivalent to similarly impaired loans. Impairment reserves are included in the allowance for loan losses through a charge to the provision for loan losses. Cash receipts on impaired loans are generally applied to reduce the principal balance outstanding. In considering loans for evaluation of specific impairment, management generally excludes smaller balance homogeneous loans (loans or relationship size $0.1 million or less) within the small business, residential mortgage, home equity, and all consumer portfolio. These loans are collectively evaluated for risk of loss on a pool basis. This limitation does not preclude the Company from assessing impairment on a loan-by-loan basis if necessary.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which provides entities with optional temporary relief from certain accounting and financial reporting requirements under U.S. GAAP.

A key program under the CARES Act is the Paycheck Protection Program ("PPP") administered by the Small Business Administration ("SBA") which has provided much needed funding to qualifying businesses and organizations. These loans are forgivable by the SBA and fully guaranteed by the SBA. As such, the company has not prescribed a reserve against the PPP loan balances. For the Company's part, SBA will pay a servicing fee to the Company based on the size of the individual loans. The Company has approximately $89 million and $271 million of PPP loans as of December 31, 2021 and 2020, respectively.

Allowance for Loan Losses

The allowance for loan losses is a valuation reserve for probable incurred losses in the loan portfolio. Credit losses arise primarily from the loan portfolio, but may also be derived from other credit-related sources, when drawn upon, such as commitments, guarantees, and standby letters of credit. Additions are made to the allowance through periodic provisions, which are charged to expense. All losses of principal are charged to the allowance when incurred or when a determination is made that a loss is expected. Subsequent recoveries, if any, are credited to the allowance.

The Company has established a process to assess the adequacy of the allowance for loan losses and to identify the risks in the loan portfolio. This process consists of the identification of specific reserves for impaired commercial loans and material residential mortgages, and the calculation of general reserves, which is a formula-driven allocation.

The general component of the allowance covers non-impaired loans and is based primarily on the Company's historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experience by the Company on a weighted average basis over the previous two years. This actual loss experience is adjusted by other qualitative factors based on the risks present for each portfolio segment. These qualitative factors include consideration of the following: levels of and trends in delinquencies and impaired loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures and practices; experience, ability and depth of lending management and other relevant staffing and experience; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

While management uses available information to recognize losses on loans, future additions to the allowance may be necessary. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies 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.

Troubled Debt Restructurings

In the process of resolving nonperforming loans, we may choose to restructure the contractual terms of certain loans and attempt to work out alternative payment schedules with the borrower in order to avoid foreclosure of collateral. Any loans that are modified are evaluated to determine if they are "troubled debt restructurings" (TDR) and if so, are evaluated for impairment. A TDR is defined as a loan restructure which, for legal or economic reasons related to a borrower's financial difficulties, the creditor grants one or more concessions to the borrower that it would not otherwise consider. Terms of loan agreements may be modified to fit the ability of the borrower to repay in respect of its current financial status; and restructuring of loans may include the transfer of assets from the borrower to satisfy debt, a modification of loan terms, or a combination of the two. If a satisfactory restructure and payment arrangement cannot be reached, the loan may be referred to legal counsel for foreclosure.

Premises and Equipment

Land is carried at cost. Land improvements, buildings, leasehold improvements and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets, three to twenty-five years. Amortization of leasehold improvements is provided over the lesser of the term of the lease, including renewal options, when applicable, or the estimated useful lives of the assets.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Federal Home Loan Bank (FHLB) Stock

The Bank is a member of FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated from impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Reserve Bank (FRB) Stock

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Other Real Estate

Other real estate acquired through foreclosure or deed in lieu of foreclosure (other real estate) is included in other assets, upon receipt of title, and is recorded at the lower of the unpaid loan balance on the property at the date of transfer, or fair value, less estimated costs to sell. Adjustments made to the value at transfer are charged to the allowance for loan losses. After transfer, the property is carried at the lower of cost or fair value less estimated costs to sell. Adjustments to the carrying values of such properties that result from subsequent declines in value are charged to operations in the period in which the declines occur. Operating earnings and costs associated with the properties are charged to other non-interest income and operating expense as incurred. Gains or losses on the sale of other real estate are included in results of operations when the sale occurs.

Loan Servicing Assets

The Company services first-lien, residential loans for the Federal Home Loan Mortgage Company (FHLMC or Freddie Mac) and certain commercial loans as lead participant. The associated servicing rights (assets) entitle the Company to a future stream of cash flows based on the outstanding principal balance of the loans and contractual servicing fees. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees.

The Company services all loans for FHLMC on a non-recourse basis; therefore, its credit risk is limited to temporary advances of funds to FHLMC, while FHLMC retains all credit risk associated with the loans. Commercial loans are serviced on a non-recourse basis, whereby the Company is subject to credit losses only to the extent of the proportionate share of the loan's principal balance owned. The Company's contract to sell loans to FHLMC and to the Federal Housing Administration (FHA) via third-parties contain certain representations and warranties that if not met by the Company would require the repurchase of such loans. The Company has not historically been subject to a material volume of repurchases nor is it as of the current year end.

Loan servicing assets are amortized to loan servicing income in the statement of income. In computing amortization expense, the Company uses historical prepayment rates for similar loan pools and applies this amortization rate to each pool. If prepayments occur at a rate different than the applied rate, the Company adjusts the specific pool's amortization in the period in which the change occurs.

For purposes of evaluating and measuring impairment of loan servicing rights, the Company stratifies these assets based on predominant risk characteristics of the underlying loans that are expected to have the most impact on projected prepayments, cost of servicing, and other factors affecting future cash flows associated with the servicing rights, such as loan type, rate, and term. The amount of impairment recognized is the amount by which the carrying value of the loan servicing rights for a stratum exceeds fair value. Impairment is recognized through the income statement.

Goodwill

Goodwill has an indefinite useful life and is not amortized, but is tested for impairment. Goodwill impairment tests are performed on an annual basis or when events or circumstances dictate. A qualitative assessment of goodwill is first performed, factoring company-specific and economic characteristics that might impact its carrying value. If the assessment indicates goodwill might be impaired, a quantitative test is performed in which the fair value of the reporting unit with goodwill is compared to the carrying amount of that reporting unit in order to determine if impairment is indicated. If so, the implied fair value of the reporting unit is compared to its carrying amount and an impairment loss is measured by the excess of the carrying value over fair value. Fair value of the reporting unit is estimated using a weighted average of market-based analysis and discounted cash-flow income analysis.

Stock-Based Compensation

Stock-based compensation expense is recognized in the consolidated statements of income over the awards' vesting period based on the fair value of the award at the grant date.

The Company accounts for the liability associated with its stock appreciation rights plan at fair value which is re-measured quarterly. Fair value is measured using the Black-Scholes-Merton option pricing model. The associated compensation expense or credit reported in the statement of income represents the change in the remeasured liability.

Income Taxes

The Company and its wholly-owned subsidiaries file income tax returns in the U.S. Federal jurisdiction and in the states of New York, Florida and Ohio. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

Derivative Financial Instruments

Derivatives are recognized as either assets or liabilities in the consolidated balance sheets and are measured at fair value. If certain conditions are met, a derivative may be specifically designated as: (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; (b) a hedge of the exposure to variable cash flows of a forecasted transaction; or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency denominated forecasted transaction. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. At inception of the hedge, management establishes the application of hedge accounting and the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. These are consistent with management's approach to managing risk.

The Company's derivative financial instruments include: (1) commitments to originate fixed-rate residential real estate loans to be held for sale; (2) commitments to sell fixed-rate residential loans; and (3) interest rate swap agreements.

Commitments to originate and commitments to sell fixed-rate residential real estate loans are recorded in the consolidated balance sheet at estimated fair value. Neither of these derivative instruments are considered hedges; therefore, periodic changes in the fair value of these instruments are recognized in mortgage banking income in the period in which the change occurs. However, due to the minimal volume and short-term nature of these instruments, the fair value and the net impact of change in fair value from the instruments' was inconsequential and not recorded at December 31, 2021 and 2020.

The Company utilizes interest rate swap agreements as part of its management of interest rate risk to modify the repricing characteristics of its floating-rate junior subordinated debentures. For swap agreements, amounts receivable or payable are recognized as accrued under the terms of the agreement, and the net differential is recorded as an adjustment to interest expense of the related debentures. Interest rate swap agreements are designated as cash flow hedges. Therefore, the effective portion of the swaps' unrealized gain or loss was initially recorded as a component of other comprehensive income, and subsequent effective portions are recognized in interest expense. The ineffective portion of the unrealized gain or loss, if any, is reported in other operating income.

The Company also utilizes interest rate swap agreements for certain variable rate commercial loans whereby the Company and borrowers enter into interest rate swap agreements that result in borrowers paying a fixed rate to the Company and the Company paying a variable rate to borrowers. The transaction allows the borrower to effectively convert a variable rate loan to a fixed rate. The Company then enters into separate interest rate swap agreements having exact opposite matching terms with another financial institution. The Company does not designate either interest rate swap as hedging instruments. Because the terms of the swaps with the borrower and the other financial institution offset each other, with the only difference being counterparty credit risk, changes in the fair value of the underlying derivative contracts are not materially different and do not significantly impact the Company's results of operation. Notional values associated with the interest rate swaps, under agreements with both borrowers and other financial institutions, amounted to $263.2 million and $302.2 million as of December 31, 2021 and 2020, respectively. The fair value is recorded in other assets and other liabilities on the Consolidated Balance Sheets.

Accumulated Other Comprehensive Income (Loss)

The Company's comprehensive income consists of net income, changes in the net unrealized holding gains and losses of securities available for sale, and changes in the net unrealized gain or loss on cash flow hedges. Accumulated other comprehensive income (loss) on the consolidated statements of stockholders' equity is presented net of taxes.

Treasury Stock

Treasury stock is carried on the consolidated balance sheets at cost as a reduction of stockholders' equity. Shares are released from treasury at original cost on a first-in, first-out basis, with any gain on the sale reflected as an adjustment to additional paid-in capital. Losses are reflected as an adjustment to additional paid-in capital to the extent of gains previously recognized, otherwise as an adjustment to retained earnings.

Trust and Investment Services Income

Assets held in fiduciary or agency capacity for clients are not included in the accompanying consolidated balance sheets, since such assets are not assets of the Company. Fees are calculated based generally upon the market value of the underlying assets. Fee income is recognized when earned and is not subject to return-performance contingencies.

Earnings Per Share

Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share includes the maximum dilutive effect of stock issuable upon exercise of stock options.

(2) Securities

Amortized cost, gross unrealized and unrecognized gains (gross unrealized and unrecognized losses), and fair value of debt securities available-for-sale and debt securities held-to-maturity at December 31, 2021 are summarized as follows:

		2021			
		Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Debt Securities Available for Sale:					
U.S. Treasury	$	509	-	(2)	507
U.S. government sponsored enterprise obligations		634,132	402	(10,718)	623,816
State and municipal obligations		181,082	1,497	(259)	182,320
Corporate obligations		6,000	105	-	6,105
Total Debt Securities Available for Sale	$	821,723	2,004	(10,979)	812,748
		Amortized Cost	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
Debt Securities Held to Maturity:					
State and municipal obligations	$	1,808	2	(1)	1,809
Corporate obligations		218	55	-	273
Total Debt Securities Held to Maturity	$	2,026	57	(1)	2,082

The amortized cost and fair value of debt securities by years to maturity as of December 31, 2021, is as follows (in thousands). Maturities of amortizing securities are classified in accordance with their contractual repayment schedules. Expected maturities will differ from contractual maturities since issuers may have the right to call or prepay obligations without penalties.

		Available for Sale		Held to Maturity	
Years		**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Under 1	$	64,804	65,122	1,196	1,198
1 to 5		239,993	238,355	612	611
5 to 10		221,360	216,871	3	3
10 and over		295,566	292,400	215	270
Total	$	821,723	812,748	2,026	2,082

Amortized cost, gross unrealized gains and unrecognized gains (gross unrealized losses and unrecognized losses), and fair value of debt securities available-for-sale and debt securities held-to-maturity at December 31, 2020 are summarized as follows:

		2020			
		Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Debt Securities Available for Sale:					
U.S. Treasury	$	1,509	4	-	1,513
U.S. government sponsored enterprise obligations		208,696	153	(420)	208,429
State and municipal obligations		169,068	3,321	(5)	172,384
Corporate obligations		6,000	-	-	6,000
Total Debt Securities Available for Sale	$	385,273	3,478	(425)	388,326
		Amortized Cost	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
Debt Securities Held to Maturity:					
State and municipal obligations	$	2,943	21	-	2,964
Corporate obligations		247	78	-	325
Total Debt Securities Held to Maturity	$	3,190	99	-	3,289

At December 31, 2021, and 2020, securities at amortized cost of $440.2 million and $307.6 million, respectively, were pledged to secure municipal deposits and for other purposes required or permitted by law.

No debt securities available-for-sale or debt securities held-to-maturity were sold in 2021 or 2020.
Interest on securities segregated between taxable interest and tax-exempt interest for the years ended December 31, 2021 and 2020, follows (in thousands):

	2021	2020
Taxable	$ 6,254	4,167
Tax-exempt	2,224	2,531
Total	$ 8,478	6,698

The following table presents the fair value of securities with gross unrealized or unrecognized losses at December 31, 2021, aggregated by category and length of time that individual securities have been in a continuous loss position (in thousands).

	Less than 12 months		Over 12 months		Total	
Debt Securities Available for Sale	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	$ 402	(2)	105	-	507	(2)
U.S. government sponsored enterprise	503,406	(8,198)	89,425	(2,520)	592,831	(10,718)
State and municipal obligations	62,315	(256)	573	(3)	62,888	(259)
Total temporarily impaired debt securities	$ 566,123	(8,456)	90,103	(2,523)	656,226	(10,979)

Debt Securities Held to Maturity	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
State and municipal obligations	$ 922	(1)	-	-	922	(1)
Corporate and foreign obligations	2	-	-	-	2	-
Total temporarily impaired debt securities	$ 924	(1)	-	-	924	(1)

Substantially all of the unrealized losses on the Company's securities were caused by market interest rate changes from those in effect when the specific securities were purchased by the Company. The contractual terms of these securities do not permit the issuer to settle the securities at a price less than par value. All securities rated by an independent rating agency carry an investment grade rating. Because the Company does not intend to sell securities and it believes it is not likely to be required to sell the securities before recovery of their amortized cost basis, which may be, and is likely to be, maturity, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2021.

The following table presents the fair value of securities with gross unrealized or unrecognized losses at December 31, 2020, aggregated by category and length of time that individual securities have been in a continuous loss position (in thousands).

	Less than 12 months		Over 12 months		Total	
Debt Securities Available for Sale	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	$ 409	-	-	-	409	-
U.S. government sponsored enterprise	103,645	(420)	-	-	103,645	(420)
State and municipal obligations	1,241	(5)	-	-	1,241	(5)
Total temporarily impaired debt securities	$ 105,295	(425)	-	-	105,295	(425)

Debt Securities Held to Maturity	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
State and municipal obligations	$ -	-	-	-	-	-
Total temporarily impaired debt securities	$ -	-	-	-	-	-

The total number of security positions in the investment portfolio in an unrealized loss position at December 31, 2021 was 379 compared to 46 at December 31, 2020. At December 31, 2021, the Company had positions in 36 investment securities with a fair value of $90.1 million and a total unrealized loss of $2.5 million that have been in a continuous unrealized loss position for more than 12 months. At December 31, 2021, there were a total of 339 security positions in the Company's investment portfolio with a fair value $566.1 million and a total unrealized loss of $8.5 million that had been in a continuous unrealized loss position for less than 12 months. At December 31, 2020, the Company did not have positions in investment securities that had been in a continuous unrealized loss position for more than 12 months. At December 31, 2020, there were a total of 46 security positions in the Company's investment portfolio with a fair value of $105.3 million and a total unrealized loss of $0.4 million that had been in a continuous unrealized loss position for less than 12 months.

(3) Loans and Allowance for Loan Losses

Loans

The Company's market area is generally Ontario County and Monroe County of New York State. Substantially all loans are made in this market area. Accordingly, the ultimate collectability of a significant portion of the Company's loan portfolio is susceptible to changes in the economic conditions in this area. The Company's concentrations of credit risk are as disclosed in the following table of loan classifications. The concentrations of credit risk in related loan commitments and letters of credit parallel the loan classifications reflected. Other than general economic risks, management is not aware of any material concentrations of credit risk to any industry or individual borrower.

The major classifications of loans at December 31, 2021 and 2020, are as follows (in thousands), along with a description of their underwriting and risk characteristics:

		2021	2020
Commercial and industrial (1)	$	483,062	673,499
Mortgages:			
Commercial mortgage		890,030	726,658
Residential mortgage - first lien		640,472	610,641
Residential mortgage - junior lien		140,990	144,845
Indirect		942,475	751,282
Consumer - Other		60,877	54,970
Total loans		3,157,906	2,961,895
Plus: Net deferred loan costs		28,807	20,330
Less: Allowance for loan losses		(34,306)	(30,741)
Loans, net	$	3,152,407	2,951,484

(1) Balance includes PPP Loans of $89.0 million in 2021 and $271.0 million in 2020

Commercial and Industrial Loans: These loans generally include term loans and lines of credit. Such loans are made available to businesses for working capital (including inventory and receivables), business expansion (including acquisition of real estate, expansion and improvements) and equipment purchases. As a general practice, a collateral lien is placed on equipment or other assets owned by the borrower. These loans carry a higher risk than commercial real estate loans by the nature of the underlying collateral, which can be business assets such as equipment and accounts receivable. To reduce the risk, management also attempts to secure secondary collateral, such as real estate, and obtain personal guarantees of the borrowers. To further reduce risk and enhance liquidity, these loans generally carry variable rates of interest, repricing in three- to five-year periods, and have a maturity of five years or less. Lines of credit generally have terms of one year or less and carry floating rates of interest (e.g., prime plus a margin).

Commercial Mortgages: Commercial real estate loans are made to finance the purchases of real property which generally consists of real estate with completed structures. These commercial real estate loans are secured by first liens on the real estate, which may include apartments, commercial structures housing businesses, healthcare facilities, and other non-owner occupied facilities. These loans are considered by the Company to be less risky than commercial and industrial loans, since they are secured by real estate and buildings. The loans typically have adjustable interest rates, repricing in three- to five-year periods, and require principal payments over a 10- to 25-year period. Many of these loans include call provisions within 10 to 15 years of their origination. The Company’s underwriting analysis includes credit verification, independent appraisals, a review of the borrower's financial condition, and the underlying cash flows. These loans are typically originated in amounts of no more than 80% of the appraised value of the property serving as collateral, however, policy allows for 85% of loan-to-value.

Residential First-Lien Mortgages: The Company originates adjustable-rate and fixed-rate, one-to-four-family residential real estate loans for the construction, purchase or refinancing of a mortgage. These loans are collateralized by owner- and non-owner-occupied properties located in the Company’s market area. They are amortized over five to 30 years. Substantially all residential loans secured by first mortgage liens are originated by CNB Mortgage and sold to either the Bank or third-party investors. Generally, fixed-rate mortgage loans with a maturity or call date of ten years or less are retained in the Company’s portfolio. For longer term, fixed-rate residential mortgages without escrow, the Company generally retains the servicing, but sells the right to receive principal and interest to Freddie Mac. All loans not retained in the portfolio or sold to Freddie Mac are sold to unrelated third parties with servicing released. This practice allows the Company to manage interest rate risk, liquidity risk, and credit risk. From time to time, the Company may also purchase residential mortgage loans which are originated and serviced by third parties. In an effort to manage risk of loss and strengthen secondary market liquidity opportunities, management typically uses secondary market underwriting, appraisal, and servicing guidelines. Loans on one-to-four-family residential real estate are mostly originated in amounts of no more than 85% of appraised value or have private mortgage insurance. Mortgage title insurance and hazard insurance are normally required. Construction loans have a unique risk, because they are secured by an incomplete dwelling. This risk is reduced through periodic site inspections, including at each loan draw period.

Residential Junior-Lien Mortgages: The Company originates home equity lines of credit and second mortgage loans (loans secured by a second (junior) lien position on one-to-four-family residential real estate). These loans carry a higher risk than first mortgage residential loans as they are in a second position relating to collateral. Risk is reduced through underwriting criteria, which include credit verification, appraisals, a review of the borrower's financial condition, and personal cash flows. A security interest, with title insurance when necessary, is taken in the underlying real estate.

Indirect Lending: The Company funds indirect loans - loans processed by dealers on behalf of the Bank. These loans carry a fixed rate of interest with principal repayment terms typically ranging from one to seven years, based upon the nature of the vehicle, the size of the loan, and the credit score of the borrower. Although secured by a vehicle these loans carry a higher risk of loss than real-estate secured loans, particularly in the early years of the loan, because vehicles are depreciating assets whose value declines over time, and at a more rapid rate than the related loan's principal balance.

Other Consumer Loans: The Company funds a variety of other consumer loans, including automobile loans, recreational vehicle loans, boat loans, aircraft loans, home improvement loans, and personal loans (collateralized and uncollateralized). Most of these loans carry a fixed rate of interest with principal repayment terms typically ranging from one to ten years, based upon the nature of the collateral and the size of the loan. The majority of consumer loans are underwritten on a secured basis using the underlying collateral being financed or a customer's deposit account. A small amount of loans are unsecured, which carry a higher risk of loss.

Commercial loan participations serviced for others amounted to $105.0 million and $75.4 million at December 31, 2021 and 2020, respectively. Residential mortgage loans serviced for Freddie Mac, amounted to $768.1 million and $688.2 million at December 31, 2021 and 2020, respectively. None of these loans are included in the Consolidated Financial Statements or the tables within this Note.

Certain executive officers, directors and their business interests are customers of the Company. Borrowings by these related parties amounted to $7.4 million and $9.6 million at December 31, 2021 and 2020, respectively. During 2021, new borrowings amounted to $0.5 million (including borrowings of executive officers and directors that were outstanding at the time of their election), and repayments and other reductions were $2.7 million.

Allowance for Loan Losses

The following tables present an analysis of the allowance for loan losses by loan type, including a summary of the loan types individually and collectively evaluated for impairment as of December 31, 2021 and 2020, respectively (in thousands). Notwithstanding the estimated allocations set forth in any table, the entirety of the allowance is available to absorb losses in any portfolio. Loan balances exclude $28.8 million and $20.3 million of net deferred loan costs as of December 31, 2021 and December 31, 2020, respectively.

		2021						
		Commercial and industrial (1)	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Beginning Balance	$	5,905	5,311	2,484	499	14,442	2,100	30,741
Charge-offs		(697)	(1,295)	-	(68)	(4,081)	(1,082)	(7,223)
Recoveries		214	70	23	28	2,187	850	3,372
Provision		(553)	2,282	(413)	(183)	6,027	256	7,416
Ending Balance	$	4,869	6,368	2,094	276	18,575	2,124	34,306
of which:								
Amount of allowance for loans individually evaluated for impairment	$	648	1,095	-	-	374	-	2,117
Amount of allowance for loans collectively evaluated for impairment	$	4,221	5,273	2,094	276	18,201	2,124	32,189
Balance of loans individually evaluated for impairment	$	2,793	16,861	1,674	486	374	-	22,188
Balance of loans collectively evaluated for impairment	$	480,269	873,169	638,798	140,504	942,101	60,877	3,135,718

(1) The balance of loans collectively evaluated for impairment include PPP loans of $89.0 million which have no reserve as these loans are guaranteed by the SBA

	2020						
	Commercial and industrial (1)	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Beginning Balance	$ 5,127	3,307	1,278	259	9,499	2,118	21,588
Charge-offs	(1,331)	(1,497)	-	-	(2,870)	(770)	(6,468)
Recoveries	183	8	1	6	1,474	357	2,029
Provision	1,926	3,493	1,205	234	6,339	395	13,592
Ending Balance	$ 5,905	5,311	2,484	499	14,442	2,100	30,741
of which:							
Amount of allowance for loans individually evaluated for impairment	$ 932	200	-	60	690	10	1,892
Amount of allowance for loans collectively evaluated for impairment	$ 4,973	5,111	2,484	439	13,752	2,090	28,849
Balance of loans individually evaluated for impairment	$ 2,555	15,659	2,927	947	690	10	22,788
Balance of loans collectively evaluated for impairment	$ 670,944	710,999	607,714	143,898	750,592	54,960	2,939,107

(1) The balance of loans collectively evaluated for impairment include PPP loans of $271.0 million which have no reserve as these loans are guaranteed by the SBA.

In monitoring the credit quality of the portfolio, management applies a credit quality indicator to substantially all commercial loan relationships over $0.5 million. These quality indicators range from one through eight in increasing risk of loss. These ratings are used as inputs to the calculation of the allowance for loan losses. Loans rated 1 through 4 are generally allocated a lesser percentage allocation in the allowance for loan losses than loans rated from 5 through 8. Residential Mortgage Loans are generally rated 9 and Consumer Loans are generally not rated, unless they are used to partially collateralize commercial loans, in which case they carry the rating of the respective commercial loan relationship, or if management wishes to recognize a well-defined weakness or loss potential to more accurately reflect credit risk. Unrated loans, including performing commercial loan relationships less than $0.5 million, are allocated a percentage of the allowance for loan losses on a pooled basis.

Loans risk rated 5 are currently protected but are potentially weak. These loans, in management's judgment, constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific asset. Loans in this category have potential weaknesses which may, if not checked or corrected, weaken the loan or inadequately protect the Bank's credit position at some future date. This might include loans which the lending officer may be unable to supervise properly because of: lack of expertise, inadequate loan agreement, the poor condition of or lack of control over collateral, failure to obtain proper documentation or any other deviations from prudent lending practices. Economic or market conditions which may, in the future, affect the obligor may warrant special mention of the asset. Loans for which an adverse trend in the borrower's operations or an imbalanced position in the balance sheet which has not reached a point where the liquidation is jeopardized may be included in this classification.

Loans risk rated 6 are considered substandard. A substandard loan is inadequately protected by the sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual loans classified substandard. Residential mortgages are not subject to substandard classification unless the following well defined weaknesses have occurred: the ability of the borrower to repay the debt is questionable as evidenced by delinquency of 90 days, and repayment of the debt is dependent on the sale of the underlying real estate.

Loans risk rated 7 are categorized as doubtful. These loans have all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans. The entire amount of the loan might not be classified as doubtful when collection of a specific portion appears highly probable. Loans are generally not classified doubtful for an extended period of time (i.e., over a year).

Loans classified 8, or loss, are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Losses are taken in the period in which they surface as uncollectible.

Loans in category 9 and unrated are evaluated for credit quality after origination principally based upon delinquency status, but may also include credit scores and collateral valuations.

The following tables present the loan portfolio as of December 31, 2021 and 2020 by credit quality indicator (in thousands). Except for loans in the 9 and unrated categories, credit quality indicators are reassessed for each applicable loan at least annually, generally upon the anniversary of the loan's origination or receipt and analysis of the borrower's financial statements, when applicable, or in the event that information becomes available that would cause us to re-evaluate.

Credit Quality Indicator Analysis as of December 31, 2021

		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Pass-Rated		310,538	751,282	43,211	2,388	-	13,799	1,121,218
5-Special Mention		221	41,110	-	-	-	-	41,331
6-Substandard		4,287	21,161	2,324	822	-	-	28,594
7-Doubtful		121	-	-	-	374	-	495
Subtotal	$	315,167	813,553	45,535	3,210	374	13,799	1,191,638
9 and not rated		167,895	76,477	594,937	137,780	942,101	47,078	1,966,268
Total	$	483,062	890,030	640,472	140,990	942,475	60,877	3,157,906

Credit Quality Indicator Analysis as of December 31, 2020

		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Pass-Rated	$	607,876	636,037	20,461	3,152	-	11,159	1,278,685
5-Special Mention		12,464	41,598	-	-	-	-	54,062
6-Substandard		6,980	24,350	4,036	947	-	-	36,313
7-Doubtful		382	-	-	-	673	27	1,082
Subtotal	$	627,702	701,985	24,497	4,099	673	11,186	1,370,142
9 and not rated		45,797	24,673	586,144	140,746	750,609	43,784	1,591,753
Total	$	673,499	726,658	610,641	144,845	751,282	54,970	2,961,895

The following tables present, as of December 31, 2021 and December 31, 2020, additional details about the loan portfolio in the form of an aging analysis. Amounts exclude deferred fees and costs (in thousands).

	2021							
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater (1)	Total Past Due	Current	Total Loans	> 90 Days and Accruing	Non-Accrual Loans
Commercial and industrial	$ 453	762	2,833	4,048	479,014	483,062	-	2,833
Commercial mortgages	240	994	16,915	18,149	871,881	890,030	-	16,915
Residential - first lien	5,154	643	2,075	7,872	632,600	640,472	-	2,075
Residential - junior lien	222	139	822	1,183	139,807	140,990	-	822
Consumer:								
Indirect	11,051	3,037	1,386	15,474	927,001	942,475	1,012	374
Other	354	40	21	415	60,462	60,877	21	-
Total	$ 17,474	5,615	24,052	47,141	3,110,765	3,157,906	1,033	23,019

(1) Amounts include Non-Accrual loans

	2020							
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater (1)	Total Past Due	Current	Total Loans	> 90 Days and Accruing	Non-Accrual Loans
Commercial and industrial	$ 623	790	3,382	4,795	668,704	673,499	15	3,367
Commercial mortgages	857	330	15,778	16,965	709,693	726,658	54	15,724
Residential - first lien	4,941	576	5,066	10,583	600,058	610,641	1,481	3,585
Residential - junior lien	178	-	1,399	1,577	143,268	144,845	-	1,399
Consumer:								
Indirect	6,147	1,722	1,145	9,014	742,268	751,282	455	690
Other	137	57	41	235	54,735	54,970	31	10
Total	$ 12,883	3,475	26,811	43,169	2,918,726	2,961,895	2,036	24,775

(1) Amounts include Non-Accrual loans

The details of impaired loans follow (in thousands). "Recorded investment", "Unpaid Principal Balance", and "Specific Related Allowance" are as of the years ended December 31, 2021 and 2020 , respectively. "Average Recorded Investment" is a four-quarter rolling average for the respective periods. "Recorded investment" includes smaller balance homogeneous loans (loans or relationship size $0.1 million or less) within the small business, residential mortgage, home equity, and all consumer portfolio of $0.8 million and $2.0 million at December 31, 2021 and December 31, 2020, respectively. "Interest Income Recognized" is for the respective year-to-date periods:

		2021				
With no specific allowance		**Recorded Investment**	**Unpaid Principal Balance**	**Specific Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
Commercial and industrial	$	1,639	1,909	-	1,788	5
Commercial mortgage		14,980	16,170	-	16,850	2
Residential mortgage - first lien		2,075	2,245	-	2,686	80
Residential mortgage - junior lien		822	853	-	1,023	88
Subtotal		19,516	21,177	-	22,347	175
With specific allowance						
Commercial and industrial		1,194	1,244	648	1,531	-
Commercial mortgage		1,935	1,935	1,095	736	-
Residential mortgage - junior lien		-	-	-	91	-
Consumer - indirect		374	374	374	520	-
Subtotal		3,503	3,553	2,117	2,878	-
Total	$	23,019	24,730	2,117	25,225	175
Summary by portfolio:						
Commercial	$	19,748	21,258	1,743	20,905	7
Residential		2,897	3,098	-	3,800	168
Consumer and other		374	374	374	520	-
Total	$	23,019	24,730	2,117	25,225	175

		2020				
With no specific allowance		**Recorded Investment**	**Unpaid Principal Balance**	**Specific Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
Commercial and industrial	$	1,692	1,784	-	965	-
Commercial mortgage		15,220	16,208	-	23,713	346
Residential mortgage - first lien		3,585	3,721	-	2,395	-
Residential mortgage - junior lien		1,329	1,417	-	1,214	-
Subtotal		21,826	23,130	-	28,287	346
With specific allowance						
Commercial and industrial		1,675	1,763	932	1,157	-
Commercial mortgage		504	504	200	666	-
Residential mortgage - first lien		-	-	-	109	-
Residential mortgage - junior lien		70	72	60	35	-
Consumer - indirect		690	690	690	172	-
Consumer - other		10	10	10	3	-
Subtotal		2,949	3,039	1,892	2,142	-
Total	$	24,775	26,169	1,892	30,429	346
Summary by portfolio:						
Commercial	$	19,091	20,259	1,132	26,501	346
Residential		4,984	5,210	60	3,753	-
Consumer and other		700	700	700	175	-
Total	$	24,775	26,169	1,892	30,429	346

Troubled Debt Restructurings (TDR)

As of December 31, 2021, the Company did not allocate any specific reserves on TDRs. As of December 31, 2020, the Company allocated $0.3 million of specific reserves on TDRs.

There were no unfunded commitments to lend additional amounts to customers with outstanding loans that are classified as TDRs.

The terms of certain loans were modified as TDRs when one or a combination of the following occurred: A reduction of the stated interest rate of the loan; the maturity date was extended; or some other modification or extension occurred which would not be readily available in the market.

There were no loans that were modified as TDRs for which there was a payment default within twelve months of modification, during the twelve months ended December 31, 2021 and December 31, 2020.

The following table presents loans by class modified as TDRs during the twelve-month period ended December 31, 2021, (in thousands):

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential mortgage	4	$ 474	$ 474
Commercial mortgage	4	6,029	6,029
Total	8	$ 6,503	$ 6,503

The follow table presents loans by class modified as TDRs during the twelve-month period ended December 31, 2020 (in thousands):

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential mortgage	9	$ 1,952	$ 1,952
Commercial mortgage	3	2,909	2,909
Total	12	$ 4,861	$ 4,861

In March 2020, various regulatory agencies, including the Board of Governors of the Federal Reserve System (the "FRB") and the Federal Deposit Insurance Corporation (the "FDIC"), issued an interagency statement on loan modifications and reporting for financial institutions working with customers affected by COVID-19. The interagency statement was effective immediately and impacted accounting for loan modifications. The agencies confirmed with the staff of the FASB that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not to be considered TDRs. This includes short-term modifications such as payment deferrals, fee waivers, extension of repayment terms, or other delays in payment that are insignificant. Provisions of the CARES Act largely mirrored the provisions of the interagency statement, providing that modified loans were not to be considered TDRs if they were performing at December 31, 2019 and other considerations set forth in the interagency statements were met. Borrowers considered current are those that are less than 30 days past due at the time a modification program is implemented or at December 31, 2019.

On December 27, 2020, the 2020 Consolidated Appropriations Act was signed into law. The $900 billion relief package includes legislation that extends certain relief provisions of the CARES Act that were set to expire on December 31, 2020. This legislation extends this relief to the earlier of 60 days after the national emergency declared by the President is terminated or January 1, 2022. As of December 31, 2021, the Company had no non-TDR loan modifications granted under the CARES Act.

(4) Premises and Equipment

A summary of premises and equipment at December 31, 2021 and 2020, follows (in thousands):

	2021	2020
Land and land improvements	$ 2,218	1,210
Buildings and leasehold improvements	34,223	32,336
Furniture, fixtures and equipment	26,033	24,844
Projects in process	3,182	677
	65,656	59,067
Less accumulated depreciation	46,954	44,345
Premises and equipment - net	$ 18,702	14,722

Depreciation expense amounted to $2.6 million for each of the years ended December 31, 2021 and 2020.

(5) Goodwill and Intangibles Assets

At December 31, 2021, the Company's reporting unit had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting units exceeds its carrying value, including goodwill. As a result of the qualitative assessment it was more likely than not that fair value of the reporting unit exceeds the carrying value, resulting in no impairment.

As mentioned in Note 1, the Company sold WBI and as a result of the sale, $6.8 million of goodwill was derecognized from the consolidated balance sheet during the year ended December 31, 2020.

In 2020, the Company derecognized $3.2 million of intangible assets and $2.9 million in accumulated amortization related to OBS. The Company had no intangible assets at December 31, 2021 and 2020.

(6) Time Deposits

At December 31, 2021 the scheduled maturity of time deposits was as follows (in thousands):

2022	$	503,757
2023		79,957
2024		20,243
	$	603,957

Time deposits of $250,000 or more amounted to $325.3 million at December 31, 2021, and $200.7 million at December 31, 2020.

(7) Borrowings

Borrowings amounted to $200.0 million and $250.0 million from the Federal Home Loan Bank of New York for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, there were no overnight borrowings.

The following tables summarize the Federal Home Loan Bank of New York term borrowings as of December 31, 2021 and 2020:

December 31, 2021
(in thousands)

Type	Maturity Date	Interest Rate		Amount
Term	February 7, 2022	2.28%	$	50,000
Term	February 10, 2023	3.20%		50,000
Term	February 6, 2024	2.67%		50,000
Term	February 6, 2025	1.82%		50,000
			$	200,000

December 31, 2020
(in thousands)

Type	Maturity Date	Interest Rate		Amount
Term	February 16, 2021	1.94%	$	50,000
Term	February 7, 2022	2.28%	$	50,000
Term	February 10, 2023	3.20%		50,000
Term	February 6, 2024	2.67%		50,000
Term	February 6, 2025	1.82%		50,000
			$	250,000

Advances under the overnight line of credit with the FHLB of New York are payable on demand and generally bear interest at the federal funds rate plus 0.10% - 0.20%. The Company also has access to the FHLB's Term Advance Program, which allows the Bank to borrow at various terms and rates, subject to the Bank's pledging of eligible collateral. Advances under the Federal Reserve Bank of New York are payable the following business day and bear interest at the Federal Reserve Bank of New York's discount rate for primary credit, which is generally 0.00% to 1.00% above the target federal funds rate.

The following table presents information about the Company's available lines of credit and related loan collateral at December 31, 2021 (in thousands). Amounts utilized include borrowings and undrawn letters of credit.

		Amount Utilized		Unused	Collateralized by		Carrying Value of Collateral
Federal Home Loan Bank of New York	$	200,000	$	356,442	Residential mortgages	$	404,566
					Commercial mortgages	$	327,226
					FHLB stock	$	10,977
Federal Reserve Bank of New York	$	-	$	1,028,889	Indirect automobile loans	$	606,470
					Commercial loans	$	422,419

(8) Junior Subordinated Debentures and Interest Rate Swap Agreements

In September 2007, the Company issued $20.6 million of unsecured, 30-year junior subordinated deferrable interest debentures (T3) through a wholly-owned business trust. The debentures carried a fixed interest rate of 6.32% per annum for the initial five years, then converted to an adjustable rate for the remaining twenty-five years at LIBOR plus 1.44%, adjustable quarterly (1.64% at December 31, 2021). The debentures' final maturity is December 2037, and became callable, in whole or in part, at par beginning December 2012 at the Company's option, and subject to Federal Reserve Bank of New York approval. Interest is payable quarterly. Interest payments can be deferred for up to five years, but would restrict the Company's ability to pay dividends. At December 31, 2021, these debentures were considered Tier I Capital for regulatory purposes.

In December 2012, the Company became exposed to interest rate risk as a result of the timing of changes in interest rates associated with T3. In consideration of the end of the fixed-rate period, the Company entered into a forward interest rate swap agreement, which became effective on December 15, 2012 and expires on December 15, 2022. This interest rate swap agreement (notional value of $20.6 million) modifies the repricing characteristics of the debenture from a floating-rate debt (LIBOR +1.44%) to a fixed-rate debt (3.859%).

In June 2006, the Company issued $30.9 million of unsecured, 30-year floating rate junior subordinated deferrable interest debentures (T2) through a wholly-owned business trust. The debentures carry an interest rate of 3-month LIBOR plus 1.40% (1.60% at December 31, 2021). Other significant terms of the debenture are similar to T3, except the debentures' final maturity is June 2036, and became callable, in whole or in part, at par after June 2012.

As with T3, the Company was exposed to interest rate risk for T2. In order to reduce this risk, the Company had entered into a series of interest rate swap agreements since 2007, the most recent agreement expired on June 15, 2021 and was not renewed.

With both swap agreements the Company designated them as a cash flow hedges, and they are intended to protect against the variability of cash flows associated with the debentures. Therefore, the effective portion of the swap's unrealized gain or loss is recorded as a component of other comprehensive income. The ineffective portion of the unrealized gain or loss, if any, is reported in other operating income. The swap agreements are carried at fair value in other liabilities on the Consolidated Balance Sheets. Amounts receivable or payable are recognized as accrued under the terms of the agreements, and the net differential is recorded as an adjustment to interest expense.

(9) Income Taxes

The components of income tax expense relating to income from operations for each of the years ended December 31, follows (in thousands):

	2021	2020
Current:		
Federal	$ 12,862	10,074
State	3,637	3,134
	16,499	13,208
Deferred:		
Federal	(1,807)	(306)
State	(692)	(73)
	(2,499)	(379)
	$ 14,000	12,829

Income tax expense differed from the amounts computed by applying the applicable U.S. Federal corporate tax rates to pretax income from operations for each of the years ended December 31, follows (dollars in thousands):

	2021	2020
Tax expense at statutory rate of 21%	$ 12,336	11,570
Tax-exempt interest	(467)	(531)
Interest expense disallowance	9	18
State taxes, net of Federal benefit	2,326	2,418
Stock options	(74)	(81)
Change in valuation allowance for deferred tax assets	(2)	(1,047)
Other	(128)	482
Total	$ 14,000	12,829
Effective tax rate	23.8%	23.3%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, follows (dollars in thousands):

		2021	2020
Deferred tax assets:			
Allowance for loan losses	$	8,880	7,942
Incentive stock and retirement plans		3,866	1,967
Depreciation		192	320
Non-controlling interest		52	33
Interest rate swap agreements, net		105	371
Unrealized loss on available-for-sale securities		2,216	-
Net operating loss carryforwards		669	725
Right of use liability		7,246	5,399
PPP origination fees		1,647	1,387
Deferred tax assets before allowance		24,873	18,144
Valuation allowance		(45)	(47)
Deferred tax assets		24,828	18,097
Deferred tax liabilities:			
Deferred tax assets			
Loan servicing rights		840	745
Intangible assets, net		1,962	1,659
Prepaid expenses		1,392	1,230
Unrealized gain on available-for-sale securities		-	796
Deferred gain on sale of investments		2,847	2,834
Right of use asset		7,128	5,345
Other		667	741
Deferred tax liabilities		14,836	13,350
Net deferred tax asset	$	9,992	4,747

Net deferred tax assets are included in other assets. Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of deferred tax liabilities, the level of historical taxable income, and projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets are deductible. Based on its assessment, management determined that a valuation allowance was needed for the federal net operating loss and mortgage recording tax credit carryforwards. The federal net operating loss (NOL) carryforwards of approximately $3.5 million, which begin to expire in 2028, were generated by a nonbank subsidiary before the subsidiary was included in the Company's consolidated federal tax return. Therefore, their utilization is limited under the Internal Revenue Code and related Treasury Regulations. The reversal of valuation allowance during year ended December 31, 2020 was due to the gain generated from the sale of WBI, subject to the limitations under Internal Revenue Code.

The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. No material amount of interest expense was recognized during 2021 and 2020, for any unrecognized tax benefits. The Company is not subject to U.S. Federal tax examinations or state tax examinations for years before 2016.

(10) Stockholder's Equity

Payment of dividends by the Bank to the Company is limited or restricted in certain circumstances. According to federal banking law, the approval of the Office of the Comptroller of the Currency (OCC) is required for the declaration of dividends in any year in which dividends exceed the total of net income for that year plus retained income for the preceding two years. At December 31, 2021, approximately $77.8 million was available for dividends to the Company without the approval of the OCC. Payment of dividends by the Company's non-bank trust subsidiary is also restricted by the OCC, its regulator. No dividends are available for payment by these companies without regulatory approval.

In 2021, the Company paid a $3.60 per share dividend on common stock to shareholders on February 5, 2021 and a $4.00 per share dividend on common stock to shareholders on August 6, 2021. In 2020, the Company paid a $3.50 per share dividend on common stock to shareholders on February 3, 2020 and a $3.50 per share dividend on common stock to shareholders on August 3, 2020.

(11) Earnings Per Share

Basic and diluted earnings per share for the years ended December 31, 2021 and 2020, were computed as follows (in thousands, except share and per-share data):

		2021	2020
Basic Earnings Per Share:			
Net income applicable to Canandaigua National Corporation	$	44,744	42,265
Weighted average common shares outstanding		1,872,092	1,872,455
Basic earnings per share	$	23.90	22.57
Diluted Earnings Per Share:			
Net income applicable to Canandaigua National Corporation	$	44,744	42,265
Weighted average common shares outstanding		1,872,092	1,872,455
Effect of assumed exercise of stock options		10,357	11,467
Total		1,882,449	1,883,922
Diluted earnings per share	$	23.77	22.43

(12) Retirement Plans

Defined Benefit Plan

The Company has a combined profit sharing and 401(k) Plan covering substantially all employees upon completion of 1,000 hours of service. Contributions to the Plan are determined annually by the Company's Board of Directors. The Plan is subject to a minimum contribution of 3% of eligible compensation. It is the Company's policy to annually fund current costs as they accrue. Expenses of the Plan amounted to $4.7 million, and $4.3 million, for the years ended December 31, 2021 and 2020, respectively.

Employee Stock Ownership Plan

The Company has an employee stock ownership plan (ESOP) for employees of the Company. Annual contributions are made at the discretion of the Board of Directors. ESOP expense amounted to $0.5 million and $0.4 million, for each of the years ended December 31, 2021 and 2020, respectively. Shares distributed to a participant upon termination of service are subject to a put option whereby the participant may cause the ESOP's Trust to purchase the shares at fair value. At December 31, 2021 and 2020, the ESOP held 29,568 and 29,974 shares of which all are allocated to participants, with an estimated fair value, at the respective dates, of $8.9 million and $6.6 million.

Supplemental Executive Retirement Plans

The Company has two unfunded, non-qualified, supplemental executive retirement plans (SERP) covering certain executives designed to compensate for the portion of cash compensation unable to be included in the profit sharing and 401(k) plan, because of limitations of the plan's design and of the Internal Revenue Code. The Company had accrued a liability of $1.9 million and $1.8 million at December 31, 2021 and 2020, for these SERPs. Expenses of these SERP's amounted to $0.1 million in 2021 and $0.2 million in 2020.

(13) Stock-Based Compensation Plans

The Company has two stock-based compensation plans (Stock Option Plan and Stock Appreciation Rights Plan) for executives, which are described below. Amounts recognized in the Consolidated Financial Statements with respect to these plans are as follows (in thousands):

		2021	2020
Stock option plan	$	-	-
Stock appreciation rights plan		8,875	832
Pre-tax cost of plans included in salaries and employee benefits expenses	$	8,875	832
Amount of related income tax benefit recognized in net income	$	(2,308)	(216)

Stock Option Plan

The Company's stock option plan authorized grants of options to purchase up to 192,000 shares of common stock. All 192,000 options available were granted by year-end 2004. There are no future expenses associated with the unvested options. The options were granted with an exercise price equal to the fair value of the common stock on the grant date based on the most recent public stock sale known to the Company immediately preceding the grant. The options are exercisable either five years from the date of grant, or at the later of age 55 or 15 years of continuous employment with the Company, or at normal retirement age (65).

The following summarizes outstanding and exercisable options at December 31, 2021:

	# Shares Subject to Options		Weighted Average Exercise Price
Options outstanding at beginning of the year	15,272	$	52.31
Granted	-	$	-
Exercised	1,954	$	39.41
Expired	-	$	-
Forfeited	-	$	-
Options outstanding at year end	13,318	$	54.20
Options exercisable at year end	13,318	$	54.20
Options available for future grants	none		

At December 31, 2021, the intrinsic value of outstanding options, all of which were vested, was approximately $3.3 million. The intrinsic value of options exercised during the years ended December 31, 2021 and 2020, were $0.4 million and $0.4 million, respectively. No options were forfeited in 2021 or 2020.

Options outstanding at December 31, 2021, had exercise prices ranging from $39.41 to $73.46. The weighted average expected life of the options is one year. Since the options have no stated expiration date, the expected life is calculated as the number of years from grant date to the grantee's 65th birthday.

The source of shares issued upon exercise has historically been, and is expected to be, treasury shares. From time to time, the Company expects to purchase shares for treasury to be used for these exercises. The amount of shares, timing and cost of these purchases cannot be determined, as the Company does not know when and in what quantity participants will exercise their options.

Stock Appreciation Rights Plan

The Company has an incentive stock plan for executives which allows for the award of Stock Appreciation Rights (SARs). The number of rights issued is based upon a formula utilizing the compensation of the grantees and actual return on beginning equity relative to the budgeted return for each year. SARs represent the right to receive payment in cash or stock, at the Compensation Committee of the Board of Director’s option, equal to the amount, if any, by which the market value per share of common stock on the date of exercise exceeds the SARs grant price. Long-term SARs are exercisable at the later of age 55 or 15 years of continuous employment with the Company or at normal retirement age (65). Medium-term SARs are exercisable five years from the date of grant or upon retirement. The vesting schedule is consistent with the time periods in which the SARs become exercisable.

The following summarizes the activity of these rights as of and for the year ended December 31, 2021.

	Long-term SARs			Medium-term SARs		
	# Rights		Weighted Average Grant Price	# Rights		Weighted Average Grant Price
Rights outstanding at January 1, 2021	67,207	$	154.94	56,693	$	155.39
Granted	18,351	$	221.03	12,236	$	221.03
Exercised	9,514	$	122.33	2,010	$	158.36
Forfeited	-	$	-	-	$	-
Expired	-	$	-	-	$	-
Rights outstanding at December 31, 2021	76,044	$	174.97	66,919	$	167.30
Rights exercisable at December 31, 2021	32,691	$	153.24	22,596	$	132.55

In February 2021, certain executives were awarded a total of 18,351 long-term SARs and 12,236 medium-term SARs, all at a grant price of $221.03 per share, the then-current market value (based on the most recent public stock sale administered by the Trust Department known to the Company immediately preceding the effective grant date) of the Company's common stock.

During 2021, 9,514 long-term SARs were exercised with a fair value of $1,384,000, and 2,010 medium-term SARs were exercised with a fair value of $252,000. The Company settled 5,852 long-term SARs and 2,010 medium-term SARs in Company’s stock. This resulted in issuance of 2,555 of Company’s stock during the year ended December 31, 2021. During 2020, 14,750 long-term SARs were exercised with a fair value of $883,000, and 10,213 medium-term SARs were exercised with a fair value of $626,000. The Company settled 2,903 long-term SARs and 1,936 medium-term SARs in Company’s stock. This resulted in issuance of 1,175 of Company's stock during the year ended December 31, 2020. The fair value of awards vested during years ended December 31, 2021 and 2020, amounted to $814,000 and $177,000, respectively. No SARs were forfeited in 2021 or 2020. At December 31, 2021 the intrinsic value of exercisable long-term SARs and medium-term SARs were $4,848,000 and $3,819,000 respectively.

The weighted average estimated per-right fair values, as of December 31, 2021 and 2020, are presented below. Fair value was estimated using the Black-Scholes-Merton option-pricing model with the following assumptions. No forfeitures are assumed, as generally none are anticipated for the current outstanding awards.

	2021		**2020**	
Right Type	**LTS**	**MTS**	**LTS**	**MTS**
Per-right fair value	$97.16	$104.42	$39.36	$38.92
Expected dividend yield	2.98%	2.98%	3.30%	3.30%
Risk-free interest rate	1.20%	1.20%	0.36%	0.36%
Expected Life	4.7 years	4.7 years	4.3 years	4.3 years
Volatility	6.36%	6.36%	3.06%	3.06%

Long-term SAR's outstanding and medium-term SARs outstanding (both exercisable and unexercisable) at December 31, 2021, had exercise prices ranging from $78.98 to $221.03. The weighted average expected life of these rights is five years. Since these rights have no stated expiration date, the expected life is calculated as the number of years from grant date to the grantee's 60th birthday, which is the historical life for similar past rights. Based upon current assumptions, the estimated compensation cost related to non-vested rights not yet recognized is $4.6 million, which is expected to be recognized over a weighted average period of five years. The Company had accrued a liability of $13.1 million and $5.8 million at December 31, 2021 and 2020, respectively, representing the accumulated fair-value vested obligation of these rights under the plan.

(14) Leases

The Company's lease portfolio consists primarily of operating leases for real estate property for branches, ATM locations, and office space, with contractual terms expiring from 2022 to 2036. Lease contracts may include one or more renewal options that allow the Company to extend the lease term, typically from one year to five years per each renewal option. The exercise of lease options are generally at the discretion of the Company. None of the Company's leases contain residual value guarantees, substantial restrictions, or covenants.

Supplemental balance sheet information related to the Company's leases as of December 31, 2021 and 2020 are as follows (in thousands):

		2021	**2020**
Operating lease ROU assets, net of accumulated amortization	$	27,541	20,687
Operating lease liabilities		27,994	20,897
Weighted average remaining lease term (in years)		11	7
Weighted average discount rate		2.36%	3.08%

The components of lease expense are as follows (in thousands):

December 31,		**2021**	**2020**
Fixed payment operating lease expense	$	3,594	3,455
Variable payment operating lease expense		30	28
Short-term lease expense		7	7

Supplemental cash flow information related to the Company's leases as of December 31, 2021 and 2020 are as follows (in thousands):

		2021	**2020**
Cash paid for amounts included in the measurement of lease liabilities	$	3,351	3,360
Amortization of ROU assets		3,025	2,735
ROU assets obtained in exchange for new operating lease liabilities		9,878	4,489

The following table presents a maturity analysis of the Company's operating lease liability (in thousands):

Years ending December 31,	**Amount**
2022	$ 3,465
2023	3,067
2024	2,985
2025	2,752
2026	2,665
2027 and after	16,783
Total future lease payments	31,717
Less: imputed interest	3,723
Total operating lease liabilities	$ 27,994

(15) Commitments and Contingencies

In the normal course of business, various commitments and contingent liabilities are outstanding. The following table presents the notional amount of the Company's significant commitments and their respective carrying amount, where applicable, for the years ended December 31, 2021 and December 31, 2020. Most of these commitments are not included in the Company's Consolidated Balance Sheets (in thousands).

	2021		**2020**	
	Notional Amount	**Carrying Amount**	**Notional Amount**	**Carrying Amount**
Commitments to extend credit:				
Commercial lines of credit	$ 304,226	-	274,662	-
Commercial real estate and construction	112,137	-	96,192	-
Residential real estate at fixed rates	9,883	-	22,024	-
Home equity lines of credit	406,410	-	357,887	-
Unsecured personal lines of credit	26,947	-	27,312	-
Standby and commercial letters of credit	8,640	(130)	7,650	(115)
Commitments to sell real estate loans	10,719	-	17,549	-

Commitments to extend credit are agreements to lend to customers and generally have fixed expiration dates or other termination clauses that may require payment of a fee, the amount of which is immaterial. Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party and also require payment of a fee. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of an underlying contract with a third party, whereas commercial letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. Because many commitments and almost all letters of credit expire without being funded in whole or in part, the notional amounts are not estimates of future cash flows. The credit risk associated with commitments to extend credit and standby and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. The Company's credit policy generally requires customers to provide collateral, usually in the form of customers' operating assets or property, prior to disbursement of approved loans.

Commitments to originate fixed-rate loans are made when a borrower executes a rate-lock agreement. At the time of execution, the Company generally charges a rate-lock fee, which approximates the fair value of the Company's commitment. These commitments usually have terms ranging from 45 to 90 days. Concurrently, the Company enters into commitments to sell certain fixed-rate residential real estate loans (usually those subject to the foregoing rate-locks). The fair value of these commitments are inconsequential as of December 31, 2021 and December 31, 2020.

The Company has committed $3.0 million as a limited partnership investment to Cephas Capital Partners, II and $3.0 million to Cephas Capital Partners, III. This Small Business Investment Company (SBIC) is a community-bank backed mezzanine finance company. They are follow-on investments to our current investment in Cephas Capital Partners. At December 31, 2021, the Company has remaining unfunded commitments of $1.5 million with Cephas Capital Partners, II and $1.8 million with Cephas Partners III. These investments are carried in Other Assets on the Consolidated Balance Sheets.

The Company has committed $0.5 million for an investment in Trillium Lakefront Partners, LLC. This venture capital fund is a community-backed initiative in support of new business and job growth in the Company's market area. At December 31, 2021, the Company had a remaining unfunded commitment of less than $0.1 million. This investment is carried in Other Assets on the Consolidated Balance Sheets.

In the normal course of business, the Company has various contingent liabilities outstanding that are not included in the Consolidated Financial Statements. Management does not anticipate any material losses as a result of these contingent liabilities.

(16) Regulatory Matters

The Company and its subsidiaries are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its subsidiaries must meet specific capital guidelines that involve quantitative measures of the Company's and Bank's assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors. Management believes, as of December 31, 2021, that the Company and Bank met all capital adequacy requirements to which they are subject. The Company's trust subsidiary, Canandaigua National Trust Company of Florida, must also meet minimum capital requirements as set forth by their regulators. As of December 31, 2021, it complied with its minimum capital requirements.

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.

	Regulatory Capital as of December 31, 2021					
	Actual		**Required for Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Regulations**	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Leverage capital (Tier 1) as percent of three-month average assets:						
Company	$ 367,084	8.93%	$ 164,408	4.00%	N/A	N/A
Bank	$ 340,623	8.32%	$ 163,824	4.00%	$ 204,780	5.00%
As percent of risk-weighted, period-end assets						
Core capital (Common Equity Tier 1)						
Company	$ 315,537	10.20%	$ 216,450	7.00%	N/A	N/A
Bank	$ 340,623	11.04%	$ 215,963	7.00%	$ 200,537	6.50%
Core capital (Tier 1)						
Company	$ 367,084	11.87%	$ 262,832	8.50%	N/A	N/A
Bank	$ 340,623	11.04%	$ 262,241	8.50%	$ 246,815	8.00%
Total capital (Tiers 1 and 2)						
Company	$ 401,390	12.98%	$ 324,674	10.50%	N/A	N/A
Bank	$ 374,929	12.15%	$ 323,945	10.50%	$ 308,519	10.00%

	Regulatory Capital as of December 31, 2020					
	Actual		**Required for Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Regulations**	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Leverage capital (Tier 1) as percent of three-month average assets:						
Company	$ 336,275	9.32%	$ 144,258	4.00%	N/A	N/A
Bank	$ 318,295	8.84%	$ 144,087	4.00%	$ 180,109	5.00%
As percent of risk-weighted, period-end assets						
Core capital (Common Equity Tier 1)						
Company	$ 284,728	10.71%	$ 186,055	7.00%	N/A	N/A
Bank	$ 318,295	11.88%	$ 187,575	7.00%	$ 174,177	6.50%
Core capital (Tier 1)						
Company	$ 336,275	12.65%	$ 225,924	8.50%	N/A	N/A
Bank	$ 318,295	11.88%	$ 227,770	8.50%	$ 214,372	8.00%
Total capital (Tiers 1 and 2)						
Company	$ 367,016	13.81%	$ 279,083	10.50%	N/A	N/A
Bank	$ 349,036	13.03%	$ 281,363	10.50%	$ 267,965	10.00%

(17) Fair Values of Financial Instruments

Current accounting pronouncements require disclosure of the estimated fair value of financial instruments. Fair value is generally defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly, non-distressed sale between market participants at the measurement date. With the exception of certain marketable securities and one-to-four-family residential mortgage loans originated for sale, the Company's financial instruments are not readily marketable and market prices do not exist. The Company, in attempting to comply with accounting disclosure pronouncements, has not attempted to market its financial instruments to potential buyers, if any exist. Since negotiated prices in illiquid markets depend upon the then present motivations of the buyer and seller, it is reasonable to assume that actual sales prices could vary widely from any estimate of fair value made without the benefit of negotiations. Additionally, changes in market interest rates can dramatically impact the value of financial instruments in a short period of time. Finally, the Company expects to retain substantially all assets and liabilities measured at fair value to their maturity or call date. Accordingly, the fair values disclosed herein are unlikely to represent the instruments' liquidation values, and do not, with the exception of securities, consider exit costs, since they cannot be reasonably estimated by management.

Accounting principles establish a three-level valuation hierarchy for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows.

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The estimated fair values and the valuation hierarchy of the Company's financial instruments as of December 31, 2021 and December 31, 2020 are as follows (in thousands):

			2021		2020	
Financial Assets:	**Fair Value Hierarchy**		**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and equivalents	1	$	52,979	52,979	141,098	141,098
Equity securities	1		8,677	8,677	8,932	8,932
Debt securities, available-for-sale	1, 2		812,748	812,748	388,326	388,326
Debt securities, held-to-maturity	2		2,026	2,082	3,190	3,289
FHLB stock and Federal Reserve Bank stock	N/A		12,719	N/A	14,873	N/A
Loans held for sale	2		10,719	10,861	17,549	18,621
Loans-net	3		3,152,407	3,111,630	2,951,484	2,936,373
Financial Liabilities:						
Deposits:						
Demand, savings and money market accounts	1	$	2,912,033	2,912,033	2,484,200	2,484,200
Time deposits	2		603,957	604,632	481,748	484,219
Borrowings	2		200,000	204,222	250,000	258,099
Junior subordinated debentures	2		51,547	49,550	51,547	49,507
Other financial instruments:						
Interest rate swap agreements, net	2	$	404	404	1,436	1,436
Letters of credit	2		130	130	115	115

(18) Fair Values Measurements

The following table presents for each of the fair-value hierarchy levels discussed in the previous Note and the Company's assets and liabilities that are measured at fair value on a recurring and non-recurring basis at December 31, 2021 and December 31, 2020 by caption on the Consolidated Balance Sheet (dollars in thousands).

		2021			
		Quoted market prices in active markets (Level 1)	**Internal models with significant observable market parameters (Level 2)**	**Internal models with significant unobservable market parameters (Level 3)**	**Total carrying value in the Consolidated Balance Sheet**
Measured on a recurring basis:					
Assets					
Debt securities available-for-sale:					
U.S. Treasury	$	507	-	-	507
U.S. government sponsored enterprise obligations		-	623,816	-	623,816
State and municipal obligation		-	182,320	-	182,320
Equity securities		8,677	-	-	8,677
Corporate obligations		-	6,105	-	6,105
Interest rate swap agreements - non-designated		-	12,331	-	12,331
Total assets	$	9,184	824,572	-	833,756
Liabilities					
Interest rate swap agreements - designated	$	-	404	-	404
Interest rate swap agreements - non-designated		-	12,331	-	12,331
Letters of credit	$	-	130	-	130
Total liabilities	$	-	12,865	-	12,865
Measured on a non-recurring basis:					
Assets					
Loans					
Collateral dependent impaired loans	$	-	-	1,386	1,386
Other assets					
Other real estate owned		-	-	92	92
Total assets	$	-	-	1,478	1,478

		2020			
		Quoted market prices in active markets (Level 1)	**Internal models with significant observable market parameters (Level 2)**	**Internal models with significant unobservable market parameters (Level 3)**	**Total carrying value in the Consolidated Balance Sheet**
Measured on a recurring basis:					
Assets					
Debt securities available-for-sale:					
U.S. Treasury	$	1,513	-	-	1,513
U.S. government sponsored enterprise obligations		-	208,429	-	208,429
State and municipal obligation		-	172,384	-	172,384
Equity securities		8,932	-	-	8,932
Corporate obligations		-	6,000	-	6,000
Interest rate swap agreements - non-designated		-	23,850	-	23,850
Total assets	$	10,445	410,663	-	421,108
Liabilities					
Interest rate swap agreements - designated	$	-	1,436	-	1,436
Interest rate swap agreements - non-designated		-	23,850	-	23,850
Letters of credit		-	115	-	115
Total liabilities	$	-	25,401	-	25,401
Measured on a non-recurring basis:					
Assets					
Loans					
Collateral dependent impaired loans	$	-	-	1,057	1,057
Other assets					
Other real estate owned		-	-	-	-
Total assets	$	-	-	1,057	1,057

Impaired Loans and Other Real Estate

The Company values impaired loans and other real estate owned at the time the loan is identified as impaired or when title to the property passes to the Company. The fair values of such loans and real estate owned are estimated using Level 3 inputs in the fair value hierarchy. Each loan's collateral and real estate property has a unique appraisal and management's consideration of any discount of the value is based on factors unique to each impaired loan and real estate property. In estimating fair value, management may use the most recent available appraisal or may obtain an updated appraisal when, in management's judgment, conditions have changed such that the most recent appraisal may not be reflective of current fair value. The significant unobservable input in determining the fair value is management's subjective discount on appraisals of the collateral securing the loan or real estate property, which ranges from 10%-50%. Collateral for impaired loans may consist of real estate and/or business assets including equipment, inventory and/or accounts receivable and the value of these assets is determined based on appraisals by qualified licensed appraisers hired by the Company. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, estimated costs to sell, and/or management's expertise and knowledge of the client and the client's business.

Securities

Fair values for securities are determined using independent pricing services and market-participating brokers, or matrix models using observable inputs. The pricing service and brokers use a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to their pricing models include recent trades, benchmark interest rates, spreads, and actual and projected cash flows. Management obtains a single market quote or price estimate for each security. None of the quotes or estimates is considered a binding quote, as management would only request a binding quote if management had the positive intent to sell the securities in the foreseeable future and management believed the price quoted represented one from a market participant with the intent and the ability to purchase. Management evaluates the supplied price quotes against expectations of general price trends associated with changes in the yield curve and by comparing prices to the last period's price quote. Management employs an internal matrix model for non-traded municipal securities. The matrix model considers observable inputs, such as benchmark interest rates and spreads.

Fair values for equity securities that are recorded at fair market value to comply with ASU 2016-01, are determined by quoted market prices in active markets, if available (Level 1). The equity securities change in fair market value is recorded in the income statement.

Interest Rate Swap Agreements (Swaps)

The fair value of swaps is the amount the Company would expect to pay to terminate the agreements and is based upon the present value of expected future cash flows using the LIBOR and Wall Street Journal Prime swap curves, the bases for the underlying interest rates.

(19) Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized as non-interest income in the Consolidated Statement of Income.

The following table presents the sources of non-interest income for the periods ending December 31, 2021 and 2020, respectively (in thousands):

		2021		2020
Non-interest income:				
Service charges on deposit accounts	$	18,013	$	15,733
Trust and Investment Services		24,860		21,959
Brokerage and investment subadvisory services		504		1,159
Net gain on sales of mortgage loans(a)		8,410		8,309
Loan servicing, net(a)		1,357		965
Loan-related fees(a)		360		271
Loss of securities transactions, net(a)		(45)		(25)
Gain on sale of subsidiary, net(a)		-		8,073
Other non-interest income(b)		2,887		3,294
Total non-interest income	$	56,346	$	59,738

(a) Outside of the scope of ASC 606
(b) Other non-interest income is made up of many small insignificant items, the largest of which is swap fees, which is outside the scope of ASC 606.

Non-interest income streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of non-transactional fees, such as account maintenance and dormancy fees, and transaction-based fees, such as ATM, wire transfer, and foreign exchange fees. The Company's performance obligation for non-transactional fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. The Company's performance obligation for transaction-based fees is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. The non-transactional fees for 2021 and 2020 were $1.3 million and $1.2 million, respectively, of the total service charges on deposits. The Company may, from time to time, waive certain fees (e.g., NSF fee) for the customers but generally do not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Waiver of fees reduces the revenue in the period the waiver is granted to the customer.

Trust and Investment Services (Wealth Management)

Trust and investment services (Wealth Management) charges customers a fee based upon an agreed percentage of assets under management, based on market value. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized on a monthly or quarterly basis. Wealth Management has a "Pledge of Accountability" under which fees earned could be reimbursed to the customer in the event of poor customer service. The reimbursement is not based on account performance and is only tied to quality of customer service. Due to the immaterial nature and infrequent nature, these reimbursed amounts do not reduce the transaction price. The reimbursement reduces the revenue in the period of the reimbursement to the customer.

Gains/Losses on Sales of Other Real Estate ("ORE")

The Company records a gain or loss from the sale of other real estate when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. Gain/Losses on the sales of ORE falls within the scope of ASC 606, if the Company finances the transaction. Under ASC 606, if the Company finances the sale of ORE to the buyer, the Company is required to assess whether the buyer is committed to perform their obligations under the contract and whether the collectability of the transaction price is probable. Once these criteria are met, the ORE asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present. Generally, the Company does not finance the sale of ORE properties.

Board of Directors

The Canandaigua National Corporation and Canandaigua National Bank & Trust Board of Directors is composed of distinguished, local community members. We are honored to have their insights, participation, and support.

From Left to Right: (Top row) Alan J. Stone; Robert G. Sheridan; Frank H. Hamlin, III, JD; James H. Watters, PhD; Daniel P. Fuller - Vice Chairman (Middle row) Gary L. Babbitt; Sue S. Stewart, JD; George W. Hamlin, IV, JD - Chairman; Caroline C. Shipley; Lawrence A. Heilbronner-Kolthoff, CPA (Bottom row) Thomas S. Richards, JD; Richard J. Plympton; Michael C. Goonan

Gary L. Babbitt
- Director, Canandaigua National Corporation, January 1, 2019-present
- The Canandaigua National Bank & Trust Company*
  - Director, January 1, 2019-present
  - Executive Vice President and Chief Lending Officer, 2008-December 31, 2019
  - Senior Vice President, Commercial Services, 2006-2007
  - Vice President, Commercial Services Officer, 1996-2005
- Director, Secretary, and Executive Vice President, CNB Mortgage Company,** March 21, 2018-December 31, 2019
- Director, Empire State Certified Development Company, 2011-2019
- Finance Committee Member, ARC of Monroe County, 1992-2018

Daniel P. Fuller
- Canandaigua National Corporation
  - Vice Chairman of the Board, January 1, 2011-present
  - Chairman of the Board, 2008-2010
  - Director, 1996-present
- President and General Manager, Bristol Mountain Ski Resort, December 1984-present
- General Manager, Roseland Water Park, 2003-present
- Director and Treasurer, Ski Areas of New York (SANY), 1990-present
- Director, UR Thompson Health System
- Director, University of Rochester Medical Center
- Director, SnoCountry Ski Areas Association
- Director, Canandaigua Country Club

Michael C. Goonan
- Director, Canandaigua National Corporation, 2015-present
- University of Rochester Medical Center
  - Senior Financial Advisor, 2015-2021
  - Vice President and CFO, 1995-2015
- Financial Operations, Strong Memorial Hospital, 1984-1995
- Consultant, Peat, Marwick, Mitchell & Co., 1975-1984
- Director, Golisano Children's Hospital at Strong
- Trustee, St. John Fisher College
- Honorary Member, Board of Directors, Catholic Family Center
- Director, Pluta Cancer Center Foundation
- Parish Council Member, Church of the Transfiguration

Frank H. Hamlin, III, JD
- Canandaigua National Corporation
  - Director, President, and CEO, March 29, 2013-present
  - Director and President, January 1, 2011-present
  - Director, 2004-present

Board of Directors, cont.

The Canandaigua National Bank & Trust Company*
Director, President, and CEO, March 29, 2013-present
Director and President, January 1, 2011-present
Director, 2004-present
CNB Mortgage Company**
Director and CEO, March 21, 2018-present
Chairman of the Board and CEO, June 27, 2013-March 20, 2018
Director, January 1, 2011-present
CNB Insurance Agency**
Director, President, and CEO, April 24, 2013-present
Director and President, 2011-present
Canandaigua National Trust Company of Florida*
Director and CEO, June 11, 2015-present
Director, President, and CEO, June 11, 2015-May 8, 2019
Director, 2011-June 10, 2015
Director, UR Thompson Health System, 2013-present
Manager and CEO, WBI OBS Financial, LLC, 2011-February 29, 2020
Director, OBS Holdings, Inc., 2016-February 29, 2020
Director, Genesee Valley Trust Company, 2011-March 1, 2018
Croucher, Jones & Johns
Of Counsel, 2007-2010
Attorney, June 2001-2007

George W. Hamlin, IV, JD

Canandaigua National Corporation
Chairman of the Board, January 1, 2011-present
Chairman and CEO, January 1, 2011-March 28, 2013
Director, President, and CEO, 1984-December 31, 2010
The Canandaigua National Bank & Trust Company*
Chairman, Officer, Senior Policy Advisor, and Consultant at Large, March 29, 2013-present
Chairman, CEO, and Trust Officer, January 1, 2011-March 28, 2013
Director, President, CEO, and Trust Officer, 1979-December 31, 2010
CNB Mortgage Company**
Director, 1998-present
Chairman and CEO, 1998-April 23, 2013
Chairman, Canandaigua National Trust Company of Florida,* 2009-present
Director, Genesee Valley Trust Company, 2008-March 1, 2018
Director and CEO, CNB Insurance Agency,** 1995-April 23, 2013
Director, Federal Reserve Bank of New York, 1997-2002
Chairman Emeritus, UR Thompson Health System
Chairman, 2004-2009
Chairman, Board of Managers of the Eastman School of Music
Member, Eastman School of Music National Council
University of Rochester Medical Center
Senior Member, 2018-present
Immediate Past Chair, 2015-2017
Chairman, 2013-2014
Vice Chair, 2011-2012
Audit Chair, 2009-2011
Director, 1985-2017
Center for Governmental Research
Fellow, 2011-present
Director, 2002-2010
Chairman and Investment Advisory Committee Member, Monroe Fund
Director and Vice President, New York Kitchen
Director and Vice President, Constellation Brands–Marvin Sands Performing Arts Center (CMAC), 2015-present
Trustee Emeritus, Rochester Museum & Science Center Member
Dean's Advisory Council, SUNY Brockport School of Business and Management, 2016-present
Trustee, Colgate Rochester Divinity School, 2014-present
President, Canandaigua Area Development Corporation
Principal Member, Canandaigua Aircraft, LLC, 1999-present
Principal Member, Hamlin Consulting, LLC, 2016-present

Lawrence A. Heilbronner-Kolthoff, CPA

Canandaigua National Corporation
Director, December 10, 2014-present
Treasurer, Executive Vice President, and CFO, January 2014-December 31, 2018
Executive Vice President, CFO, and Principal Accounting Officer, 2007-2013
Senior Vice President, CFO, and Principal Accounting Officer, 2004-2006
The Canandaigua National Bank & Trust Company*
Director, December 10, 2014-present
Executive Vice President, CFO, and Cashier, January 2012-December 31, 2018
Executive Vice President and CFO, 2007-December 31, 2018
Senior Vice President and CFO, 2004-2006
Vice President, Finance, 1998-2004
Canandaigua National Trust Company of Florida*
Director, April 25, 2019-present
Executive Vice President and CFO, 2009-December 31, 2018
Owner and Principal, Heilbronner Consulting, November 28, 2018-present
Director, Treasurer, Executive Vice President, and CFO, CNB Mortgage Company,** 2002-December 31, 2018
CNB Insurance Agency**
Director, April 11, 2012-April 24, 2019
Director, Treasurer, and Executive Vice President, April 9, 2014-December 31, 2018
Director and Secretary, April 11, 2012-April 8, 2014
Executive Vice President, February 12, 2007-April 10, 2012
Director and Treasurer, Genesee Valley Trust Company, 2008-March 1, 2018
Manager, WBI OBS Financial, LLC, 2011-December 31, 2018
OBS Holdings, Inc.
Chairman, 2015-December 31, 2018
Director, 2011-2015

Richard J. Plympton

Director, Canandaigua National Corporation, April 29, 2020-present
Optimax Systems, Inc.

Board of Directors, cont.

CEO, January 2013-present
CEO and Vice President of Sales, 1999-2013
Quality Control Manager, 1995-1999
Chairman, Finger Lakes Workforce Investment Board
Director and Treasurer, ANSI Optics and Electro-Optics Standards Council
Director, The Optica Foundation
Director and Treasurer, Quantum Loop Solutions
Advisory Committee Member, Wyant College of Optical Sciences, University of Arizona
Council Member, Rochester Philanthropy University of Rochester

Thomas S. Richards, JD
Director, Canandaigua National Corporation, 2004-2010 and January 15, 2014-present
Attorney, retired
Mayor, City of Rochester, 2011-2013
Corporation Counsel, City of Rochester, January 1, 2006-November 2010
Chairman, President, and CEO, RGS Energy Group, Inc., and Rochester Gas & Electric Corp., 1998-2002
Director, University of Rochester Medical Center
Trustee and Audit Committee Member, University of Rochester
Trustee Emeritus, Rochester Institute of Technology
Director and Audit Committee Member, Rochester Area Community Foundation
Director, Sands Family Supporting Foundation
Director, Seneca Waterways Council, Boy Scouts of America
Director, Rochester Schools Modernization Program

Robert G. Sheridan
Canandaigua National Corporation
Director, 1992-present
Director and Secretary, 1992-2011
The Canandaigua National Bank & Trust Company*
Director, 1992-present
Executive Vice President, Cashier, and CRA Officer, 2007-2011
Senior Vice President and Cashier, 1989-2006
CNB Mortgage Company**
Director and Secretary, 1998-March 21, 2018
President, 2002-August 31, 2011
Director, Genesee Valley Trust Company, 2008-December 31, 2011
Director and Past President, Canandaigua Country Club, 1985-1990 and 2016-2020

Caroline C. Shipley
Director, Canandaigua National Corporation, 1984-present
Treasurer and Council Member, First Congregational Church 1993-present
Board of Managers, Ontario Children's Foundation–retired 2021
Canandaigua City School District Audit Committee–retired June 2017
Canandaigua City School District Board of Education
Member, 1979-2009
President, 1983-1991 and 2007-2009
Financial Manager, Dell Broadcasting, WCGR/WLKA, 1985-1991
Treasurer and Financial Manager, Sonnenberg Gardens, 1973-1984

Sue S. Stewart, JD
Director, Canandaigua National Corporation, 2000-present
Attorney, retired
Senior Vice President and General Counsel, University of Rochester, 2003-2012
Nixon Peabody LLP
Partner, 1978-2001
Managing Partner, Rochester Office, 1998-2000
Trustee and Audit Committee Member, John L. Wehle Sr. Foundation
Former Director, United Way of Greater Rochester
Co-chair of Board of Trustees and Audit Committee Member, National Center for Education and the Economy, 1997-2021

Alan J. Stone
Canandaigua National Corporation
Director, 1986-present
Chairman of the Board, 1994-2004
Member, Stone Family Properties LLC, 1986-present
Member, City Mini Storage, LLC, 1999-present
Member, 80 Clark St, LLC, 2021-present
Member, CMS Commercial Properties, LLC, 2010-Present
Stone Construction Equipment, Inc.
Director, 1969-2009
Co-founder and CEO, 1969-1986
Volunteer, Rochester Museum & Science Center and Cumming Nature Center

James H. Watters, PhD
Director, Canandaigua National Corporation, November 13, 2019-present
Senior Vice President and Treasurer, Finance and Administration, Rochester Institute of Technology, 1994-present
Vice Chairman, Rochester Institute of Technology Global
Board Member, Rochester Philharmonic Orchestra
Director, Broadstone Net Lease, 2007-present
Director, New York Kitchen, 2008-present
Director, Broadtree Residential, 2012-present
Director, Vnomics Corp., 2014-present
Director, Greater Rochester Health Foundation, 2009-2019

Emeritus Board Members

James S. Fralick

* Wholly owned subsidiary of Canandaigua National Corporation
** Wholly owned subsidiary of Canandaigua National Bank & Trust

Canandaigua National Corporation and Canandaigua National Bank & Trust – Subsidiary Officers & Directors

Canandaigua National Trust Company of Florida (CNTF) Officers

Frank H. Hamlin, III, JD, Chief Executive Officer
Salvatore (Sam) Guerrieri, Jr., President
Vincent K. Yacuzzo, Executive Vice President and Chief Financial Officer
Jennifer N. Weidner, Esq., Senior Vice President, General Counsel, and Secretary
Dawn C. Priolo, Senior Vice President, Director of Finance, and Treasurer
Mark Buonaugurio, Senior Vice President, Senior Wealth Advisor, and Team Leader
Maria E. Caton, CFP®, ChSNC®, AAMS®, Senior Vice President and Manager of Financial Planning Services
Jillian E. Dart, Esq., CTFA, Senior Vice President, Senior Trust Officer, and Team Leader
Suzanne Ellin, JD, CPA, CGMA, CTFA, CFP®, Senior Vice President and Trust Officer
Jason W. Fitzgerald, CFP®, Senior Vice President, Senior Wealth Advisor, and Team Leader
Laurie A. Haelen, AIF®, Senior Vice President and Manager of Wealth Solutions
Stephen C. Krauss, CFA®, Senior Vice President and Senior Wealth Advisor
Adam R. Leszyk, CFP®, Senior Vice President and Senior Wealth Advisor
James F. Lieb, CTFA, Senior Vice President and Senior Trust Officer
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Stephen R. Martin, Senior Vice President and Community Affairs Director
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Donna Cator, CFP®, CDFA, Vice President and Wealth Advisor
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Ramona Green, CTFA, Vice President and Trust Officer
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Charlene S. Johnson, CPC, QPA, QKA, QPFC, TGPC, ERPA, Vice President and Retirement Services Officer
Stephen R. Livingston, CFIRS™, Vice President, Fiduciary Compliance Officer
Mark S. Mazzochetti, CISP, Vice President and Retirement Services Officer
Lindsay A. Morrow, Vice President and Corporate Events Manager
Andrew W. Murray, Vice President and Wealth Advisor
Louis B. Rossetti, Vice President and Trust Officer
Michael D. Schiller, CFP®, Vice President and Wealth Advisor
Linda J. Shannon, CAMS, CFE, Vice President and BSA/AML Compliance Officer
M. Beth Uhlen, CPA, Vice President and Wealth Operations Manager
Megan F. Barkley, Esq., Assistant Vice President and Trust Officer
Stacey L. Bowers, Assistant Vice President and Trust Officer
Phillip W. Brown, JD, Assistant Vice President and Trust Officer
Deana M. King, Assistant Vice President and Fiduciary Compliance Officer
Kevin Rankin, Assistant Vice President and Wealth Advisor
Catherine M. Burnett, Banking Officer and Wealth Operations Assistant Manager

CNTF Board of Directors

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David Gorin, Director
Salvatore (Sam) Guerrieri, Jr., Director
Frank H. Hamlin, III, JD, Director
George W. Hamlin, IV, JD, Director and Chairman of the Board
Garth C. Harding, Director and Vice Chairman
Lawrence A. Heilbronner-Kolthoff, CPA, Director
Sue A. Jacobson, Director
Christine L. Jennings, Director
Nelle Miller, Director
Bernice W. Skirboll, Director
Janice A. Zarro, Director

CNB Insurance Agency Directors & Officers

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Rita Nischal, Esq., Director, Senior Vice President – Property Casualty Broker
Jennifer N. Weidner, Esq., Director, Secretary, and Senior Vice President
Vincent K. Yacuzzo, Director, Treasurer, Executive Vice President, and Chief Financial Officer
David W. Gibbons, Insurance Officer, Senior Vice President – Program Manager
Kurt E. Rosen, Senior Vice President – Operations Manager
Jerry W. Lack, CLTC®, ChFC®, Insurance Officer, Vice President – Insurance Specialist

Home Town Funding, Inc., d/b/a CNB Mortgage Company Directors & Officers

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Frank H. Hamlin, III, JD, Director and Chief Executive Officer
George W. Hamlin, IV, JD, Director
Brian E. Pasley, Director, Chairman of the Board, and Executive Vice President
Karen C. Serinis, Director and Executive Vice President
Vincent K. Yacuzzo, Director, Treasurer, Executive Vice President, and Chief Financial Officer
Charles J. Vita, Director, Secretary, and Executive Vice President
Christopher R. Spaker, President
Dana Lazenby, Senior Vice President – Mortgage Operations Manager
Helen M. Saxby, Senior Vice President – Mortgage Operations and Compliance Manager
Kelly R. Crane, Vice President – Mortgage Compliance Officer
Kelly Masline, Vice President – Mortgage Loan Underwriter Supervisor

Canandaigua National Corporation and Canandaigua National Bank & Trust Officers

Canandaigua National Corporation Officers

Frank H. Hamlin, III, JD, President and Chief Executive Officer
Vincent K. Yacuzzo, Executive Vice President and Chief Financial Officer
Jennifer N. Weidner, Esq., Secretary, Senior Vice President, and General Counsel

Canandaigua National Bank & Trust Officers

Office of the President
George W. Hamlin, IV, JD, Chairman, Officer, Senior Policy Advisor, and Consultant at Large
Frank H. Hamlin, III, JD, President and Chief Executive Officer
Stephen R. Martin, Senior Vice President – Community Affairs Director
Rita Nischal, Esq., Senior Vice President – Corporate Counsel
Jennifer N. Weidner, Esq., Senior Vice President – General Counsel

Risk, Compliance, and Audit Operations
A. Rosamond Zatyko, Executive Vice President – Chief Administrative Officer
Deborah A. Cragg, GSTRT, CRISC®, CDPSE™, CISM®, CISSP®, CRVPM® IV, PMP®, ITIL®v3, Senior Vice President – Chief Information Security Officer
Greig W. Holman, CRVPM® II, CBCP, Banking Officer – Business Continuity Program Manager

Vicki B. Mandrino, CRCM, Senior Vice President – Chief Compliance Officer
Stephen R. Livingston, CFIRS™, Vice President – Fiduciary Compliance Officer
Cori Ann S. Zinter, AML/CA, CAMS, CRCM, CFCS, CFE, Vice President – Bank Compliance Officer
Jane E. Kehoe, Assistant Vice President – Bank Compliance Officer
Deana King, Assistant Vice President – Fiduciary Compliance Officer

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Linda J. Shannon, CAMS, CFE, Vice President – BSA/AML Compliance Officer
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Lindsay A. Morrow, Vice President – Corporate Events Manager

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Ryan Hook, Banking Officer – Human Resources Business Partner
Sarah M. Ridder, Banking Officer – Human Resources Business Partner

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Ruth Smith, Community Office Assistant Manager

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Iva Doser, Vice President, Community Office Manager
Tharushan Thavakumar, Community Office Assistant Manager

Brockport
Michelle Stevens, Vice President, Community Office Manager
Melissa Beadle-Wencek, Community Office Assistant Manager

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Kimberly A. Sorel, Vice President, Community Office Manager
Christopher Harvey, Community Office Assistant Manager

Canandaigua–Main Office
Deborah Rought, Vice President, Community Office Manager
Kristy Merriman, Community Office Assistant Manager

Chili
Suzanne M. Wedgwood, Vice President, Community Office Manager
Tristen Mandara, Community Office Assistant Manager

Customer Call Center
Patricia Pape, Vice President, Call Center Director
Sarah Coralie, Bank Officer, Call Center Manager

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Christopher Guck, Assistant Vice President, Community Office Manager
Kelly Cochrane, Community Office Assistant Manager

Geneva
Diana Perry, Assistant Vice President, Community Office Manager
Polly Clark, Community Office Assistant Manager

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Alicia Welch, Assistant Vice President, Community Office Manager
Donna Kretchmer, Community Office Assistant Manager

Greece–Ridge
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Catherine Funston, Community Office Assistant Manager

Henrietta
Carol Love, Assistant Vice President, Community Office Manager
Liliana Patino, Community Office Assistant Manager

Honeoye
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Brittany Naughton, Community Office Assistant Manager

Honeoye Falls
Steven R. Benz, Vice President, Community Office Manager
Aaron Gillette, Community Office Assistant Manager

Irondequoit
Gail Bellucco, Vice President, Community Office Manager
Andrea Gillette, Community Office Assistant Manager

Manchester-Shortsville
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Amy E. Eagley, Community Office Assistant Manager

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Emma Netto, Assistant Vice President, Community Office Manager
Elizabeth Yeager, Community Office Assistant Manager

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Amity Decker, Assistant Vice President, Community Office Manager
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Christopher Pedrone, Vice President, Community Office Manager
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Pittsford
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Rochester–College Town
Javier Quintana, Assistant Vice President, Community Office Manager
Ian DiPaolo, Community Office Assistant Manager

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Victor
Amy Flaitz, Vice President, Community Office Manager
Edward Reed, Community Office Assistant Manager

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Cristi Alvarado, Assistant Vice President, Community Office Manager
Demet Guler, Community Office Assistant Manager

Webster–Jackson-Ridge
Joseph Maggio, Vice President, Community Office Manager
Laurie Mark, Community Office Assistant Manager

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Sandra S. Jackson
Kyle T. Marianacci
Carolyn Redmond
Ben Testa

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Iva Doser*
Peggy Growney
James D. Ryan Jr.
Richard B. Yates

Brockport Office
Janet Campbell
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Mary McCrank
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Denise Chaapel
Edward (Russ) C. Kenyon, Esq.
Frank S. Macri
Ellen Polimenti
Deborah E. Rought*
Kimberly A. Sorel*

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Salvatore (Sam) A. Campanella
Dr. Steven M. Ess
Debra Rinck
Suzanne M. Wedgwood*
James Wehrle

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Geoff Astles
Lorene Benson
Ronald L. Brand
Anne P. Fessler, DVM
Christopher Guck*
Barbara A. Years

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Stephanie Hamlin Hesler
Diana Perry*
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Tom Petrella
William E. Selke
Alicia Welch*

Greece–Ridge Office
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Eugene (Gene) Welch

Henrietta Office
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Arnold J. Eckert

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Melissa DeSain*
Rosanna Foster
Todd Freelove
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Irene Bennett
Emma Netto*
Kyle Stevens

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Amity Decker*
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Jamie Bishop
Javier Quintana*

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Donald E. Jeffries
Jennifer R. Jones, CPA
Louis P. Nau*

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Donald J. Culeton
Amy Flaitz*
Mark Hamilton
Mike Kauffman
Rebecca Melton

Webster–BayTowne Office
Cristi Alvarado*
Adam Brozowitz
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Webster–Jackson-Ridge Office
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Jeff Coke
Andrew A. Costanza
Ralph Fornuto
A. Thomas Hildebrandt
Laurie Kopin
Ken McCurdy
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Richard B. Yates

*Community Office Manager

CNB Opens its 25th Bank Office in Geneva

In July 2021, Canandaigua National Bank & Trust opened our new Geneva Community Office, conveniently located on Routes 5 & 20, across from the Wegmans Plaza, at 287 Hamilton Street. This location marks our 25th branch and reflects our continued commitment to expand CNB's presence as our eastern-most point in our market area.

This building may look familiar to some, as it was the former home of Friendly's Restaurant and has since been renovated, inside and out, to meet the personality and banking needs of the Geneva community. This location offers many customer-friendly features, including:

- Sit-down teller stations
- Free Wi-Fi connectivity
- Enhanced ATM
- Coin-counting machine
- Saturday hours from 9am-1pm

Manager Diana Perry and her local team look forward to putting their knowledge of the area to work for CNB customers, providing full-service banking, as well as education and advice.

Geneva Bank Office | 287 Hamilton Street | Geneva, NY 14456

The Arthur S. Hamlin Award for Excellence
Congratulations to this Year's Recipient, Jeffrey A. Holman.

Every year, the Bank recognizes the outstanding contribution of one of its own with the Arthur S. Hamlin Award. Employees are encouraged to nominate one of their peers who has demonstrated exceptional performance and dedication to the Bank.

"Over the past decade, I have been blessed with the opportunity to work with an amazing group of people here at CNB. In 2020, it was incredible to see the most astounding levels of commitment and teamwork across our organization to help our customers and community navigate through the impact of the COVID-19 pandemic. It is truly humbling to be selected as the Arthur S. Hamlin Award recipient during this time. It is a reminder to me that God's blessings can never be outdone. Part of this blessing has been the privilege of working closely with many past award recipients. Each of these individuals has had an extraordinary influence on my life through their commitment to our core values and care for those around them. It is a profound honor to not only be associated with the legacy of the late Arthur S. Hamlin, but also with this group of remarkable individuals."

–Jeffrey A. Holman, 2020 Arthur S. Hamlin Award Recipient

2021 NOMINEES

Heather Aspenleiter
Don Barkley
Jason Dewitt
Shelby Ditmars
Kayla Domville
Christine Ensslin
Amy Force
Rob Gardner
Joan Grambo
Ramona Green
Joe Legan
Jamie Marano
Lindsay Mohr
Brian C. Murphy
Emma Netto
Lori Phillips
Jan Schrader
Alyssa Serinis
Drew Shafer
Dawn Starling
Eileen Treat
Alicia Welch
Maggie Whelehan

PAST RECIPIENTS

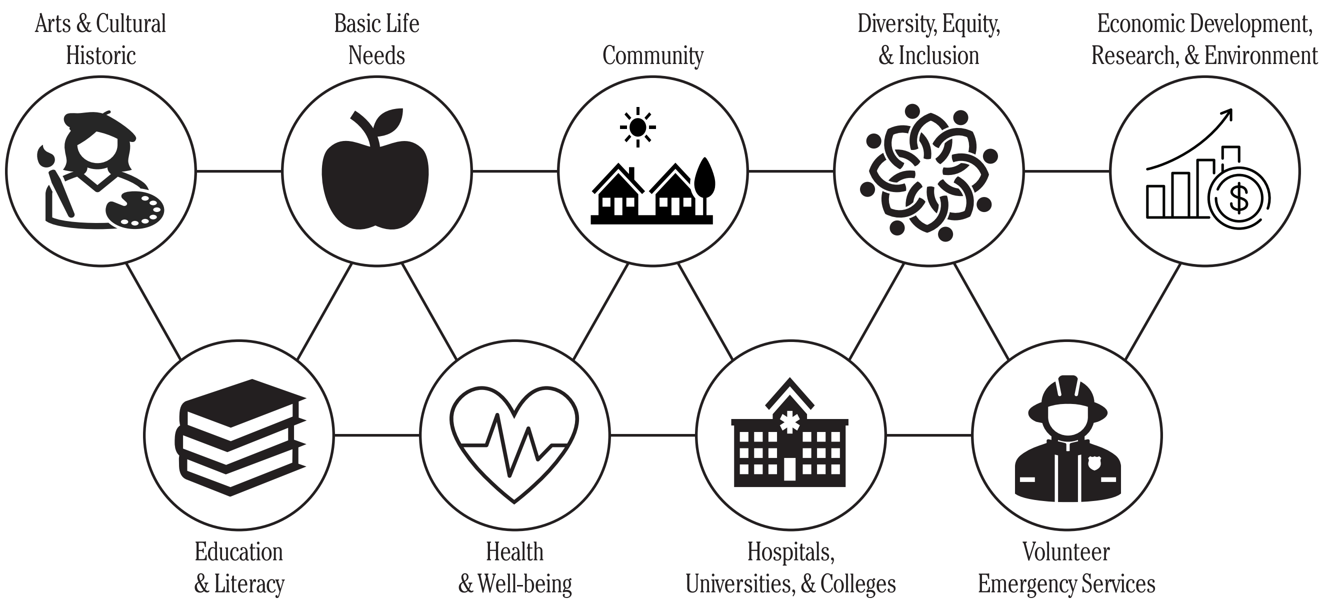
Samantha A. Johnson 2019
Diana Wright 2018
Dana Mayeu 2017
Shannon Nemitz 2016
Gehrig Lohrmann 2015
Rebecca Long 2014
Lauren Kolb 2013
Kathy Amberge 2012
Brendon Crossing 2011
Darlene Rogers 2011
Lori R. Ellis 2010
Kathleen A. Housel 2009
Chris Keys 2008
Barbara Finch 2007
Jim Terwilliger 2006
Brenda Whitney 2006
Vicki Mandrino 2005
Michael Mandrino 2004
Tamra O'Donnell 2004
Lisa Blakesley 2003
Jason Ingalls 2002
Brenda Stoker 2001
Lena Hayes 2000
Dawn Phelps 1999
M. Beth Uhlen 1998
Kathy Lafler 1997
Jeannie Blance 1996
Amy Eagley 1995
Regina Kesel 1995
Susan Foose 1994
Kathleen Corry 1993
James Roth 1992
Michael O'Donnell 1991
Jerry Drake 1990
Linda Keyes 1989

Corporate Giving

Canandaigua National Corporation has a long history of supporting our communities and local organizations, which is represented collectively through contributions, sponsorships, board participation, and volunteerism. We are not just part of the community; we are woven into the very fabric of it.

As the pandemic continues to present a variety of hardships to those we serve, we remain steadfast in our efforts to make an impact. CNC has continued to identify local organizations that deliver critical services and provided increased contributions to them while they work diligently to help those most in need.

In 2021, we supported over 350 organizations with contributions and over 190 more through sponsorships and volunteerism, spanning a variety of causes and categories represented below.



Diversity, Equity, Inclusion

CNC is committed to equal rights and acceptance for all. The Diversity, Equity, and Inclusion Committee was formally established in 2018, and is now over 50 members strong and growing. This group provides valuable insights and input as we work to distribute our contributions in this category. This year, we are proud to say that over 75 organizations received support to advance their missions and initiatives.

Refugees Welcomed to Rochester

In 2021, the Rochester area welcomed approximately 200 Afghan refugees, responding to a people in crisis and seeking a safe place to live. As we made the prudent decision to once again forgo large employee gatherings, including our Holiday Celebration, these funds were reallocated and donations were made on behalf of our employees to several incredible organizations providing services to the many legal refugees who now call Rochester home.

Thank You for Your Service

We would like to acknowledge the following colleagues who retired from CNB in 2021. We are grateful for the contributions they made throughout the years. The longevity of our employees is a shining example of CNB's outstanding culture and we are pleased to highlight these individuals' exceptionally long careers. After all, it is our people who make the difference. Congratulations on your retirement!

NAME	YEARS OF SERVICE
Kay Bauman	27 years
Marie Dastin	23 years
Matt Fowler	11 years
Linda Green	33 years
Martha Heagerty	16 years
Michelle Klehr	16 years
Brian Pasley	10 years
Helen Saxby	29 years
Sue Scrooby	16 years

Thank You and Congratulations

Brian E. Pasley

Brian Pasley retired from CNB after 10 years of outstanding service at the close of 2021.

Brian joined CNB in 2011, after spending more than 25 years in management in the financial services sector. His first role with CNB was as Senior Vice President, Senior Loan Product Manager and CRA Officer, before joining our Executive Management Team in 2015. As Executive Vice President, Brian was responsible for all facets of Consumer Lending, including product management, service delivery, operational management, and management of the CNB Mortgage Portfolio. He also served as the Bank's Community Reinvestment Act Officer, managing the implementation and delivery of the Bank's Community Reinvestment Act Compliance program.

Brian received his Bachelor of Arts degree from the University of Rochester in 1976 and remains an active member of the U of R alumni community, serving on the Athletic Hall of Fame and Garnish Scholarship committees. He is also a board member of the Golisano Children's Hospital and is past Board Chair of Monroe Golf Club, where he is a member.

> *"Brian has had a long and prominent career in financial services and we have been fortunate to have had him as a leader over the course of the past 10 years. I appreciate everything he has done for our customers and colleagues and his contributions can be seen in our success over the years. I congratulate him on his retirement and am pleased that he will continue in his role as an active member of the Board of Directors of the CNB Mortgage Company."*
>
> –Frank H. Hamlin, III, President and CEO

A sincere example of CNB's core values, Brian's positive spirit and humble nature will be missed. He enjoys golfing and spending time with his wife, their adult children, and grandchildren. We wish Brian all the best in this new chapter.

Thank You and Congratulations

Helen Saxby

At year end, Helen Saxby retired from CNB after 29 years of excellent service.

Helen came from Columbia Federal Savings & Loan Association in 1992, beginning as a Mortgage Underwriter. She received numerous promotions throughout the years, advancing to Senior Vice President, Mortgage Operations & Compliance Manager in 2017, until her retirement in 2021. Her expertise and direction helped CNB Mortgage manage and fulfill upon thousands of applications through the years, including effectively doing so in some of the greatest volumes of refinance and purchase in recent years.

Helen was instrumental in the transformation of the mortgage processing evolution and introduction of technology. She led the charge with at least four loan origination system changes, not a task for the faint of heart. Her knowledge and understanding of the residential lending space was instrumental in creating workflows that were unique to the way we do business at CNB Mortgage. She led the Operations team in supporting unprecedented loan volumes to become the number one lender in market share in 2020 and 2021, during the height of the COVID-19 pandemic.

> *"Helen had a thirst for knowledge, and she always took the time to learn something new and share her wisdom with others. She was the go-to person for anyone who had a question or needed to know how to get something done. Her sense of humor is unique, and she always had an analogy to get her point across, usually something horse related. Her wit and wisdom will be remembered and greatly missed."*
>
> –Chris Spaker, President, CNB Mortgage Co.

We wish Helen a very long, healthy, and happy retirement!

In Memoriam

Daniel R. Goodwin

Daniel R. Goodwin was a dear friend and Director of Canandaigua National Trust Company of Florida since its opening in 2009.

Dan passed away on July 7, 2021, his 77th birthday.

In 1968, Dan entered the U.S. Army, graduated Artillery Officer Candidate School, and was assigned to the Defense Language Institute and, later, to Special Ammunition Support Command (SASCOM) Europe. In 1972, as part of the initial drawdown of troops during the Vietnam War, he was honorably discharged as a captain.

Following his military service, Dan began his career in financial planning at Lincoln Rochester Trust Company (later Chase) in trust and estate planning. Then, in 1990, Dan co-founded Goodwin, Bartlett, Greaves-Tunnell, which later became Cobblestone Capital Advisors (Rochester, NY). His colleagues note he was known for out-of-the-box thinking. Dan also earned both his CFA and CFP designations. In 2003, Dan formed Cobblestone Capital Advisors of Florida, and he and his wife, Kitt split their time between Tampa, Rochester, and their summer cottage in the Thousand Islands.

Dan served on several boards of directors and advisory boards, including Canandaigua National Trust of Florida, Rochester Hospital Foundation, Rochester Children's Nursery, Rochester Children's Nursery Foundation, the Al Sigl Center, and Rochester Area Community Foundation.

He is survived by his wife, Kitt, their children, and grandchildren. Dan's Canandaigua National family will miss his valuable contributions.

CNB Celebrates Success

In 2021, CNB was honored with multiple awards acknowledging our products and services, workplace wellness initiatives, training programs, corporate culture, leadership, innovation, and workspace design.

Rochester Business Journal Reader Rankings recognized CNB as best in five categories: Best Wealth Management, Best Business Banking, Best Overall Leadership, Best Training Program, and Most Innovative Workplace. CNB also was recognized as a Top 3 in the categories of Best Mortgage Lender, Best Company Culture, and Best Overall Company to Work For (501-1,000 employees).

CNB was awarded the 2021 *Rochester Business Journal* Workplace Wellness Award for the Employer of the Year (400-749 employees) category. Workplace Wellness Awards celebrate Rochester-area employers who promote health and wellness in the workplace.

Our new Technology Center was a winner of the *Rochester Business Journal* 2021 Rochester's Coolest Spaces awards, which recognize unique architecture, gorgeous views, funky designs, repurposed buildings, cutting-edge offices, and more.

Messenger Post Media awarded CNB Best of the Finger Lakes Awards in two services categories: Bank and Wealth Management. These awards celebrate the best businesses, organizations, people, and more as voted by the community.

CNB was a finalist in the category of Best Bank for the *Democrat & Chronicle* Rochester's Community Choice Awards. This online survey is open to the Rochester community to share their appreciation of a variety of businesses.

The *Finger Lakes Times* Readers' Choice Awards recognized CNB as a finalist in the category of Best Bank for 2021. These awards celebrate the best businesses, organizations, people, and more as voted by the community.

What makes CNB the best? YOU. Thank you to everyone who voted for and supported us for each of the awards for which we were honored in 2021!

FLN CNB-20324/02-22

"We believe in the power of collective giving.

For me, life is all about people and connections. And today, people find themselves in a state of constant change. The COVID-19 pandemic has amplified our community challenges—creating unprecedented hardships for local families, schools, businesses, municipalities, and not-for-profits.

Right now, we all have an opportunity to help make our region a better place. Together, we can build more...do more. Join us. And one by one, we can rally and be a greater force for positive change.

Together, we can ***make way for good.***"

Thoughts from Frank H. Hamlin, III
2022 Chair of United Way's
first ever 6-County Campaign

"Our culture continues to carry the day to ensure our customer focus remains on relationships instead of transactions."

— Frank H. Hamlin, III, President and CEO

Canandaigua
National
Corporation