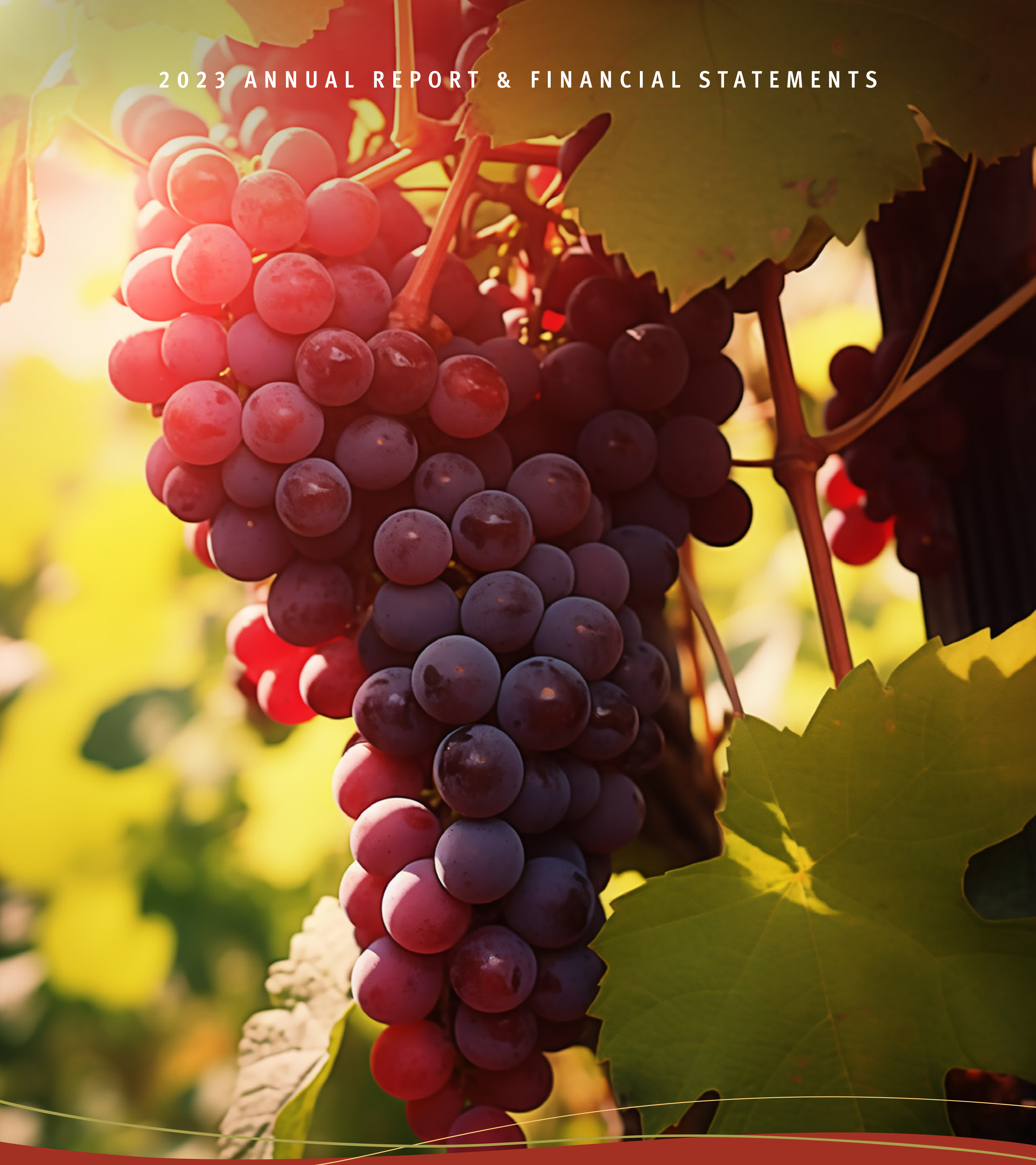
2023 ANNUAL REPORT & FINANCIAL STATEMENTS



Standing strong under any conditions.

Canandaigua National Corporation

Commitment. Consistency. Endurance.

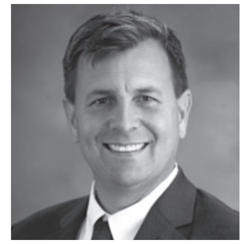
While our financial results for 2023 didn't follow the course we'd charted heading into the year, Canandaigua National Corporation faced this unique economic cycle prepared and ready to respond. In the end, we outperformed the industry—just as we have many times over multiple generations.

Much like the grapes in the vineyards that are so integral to our region, we remained strong and resilient during challenging conditions to produce a fruitful harvest.

As always, we were also inspired by our employees. Their nimble reaction and successful management helped us weather adverse conditions and grow stronger from the experience.

February 01, 2024

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



Dear Fellow Shareholders,

2023 was quite a ride for us and others across the financial services industry. While our financial results did not follow the course that was charted through our expectations heading into the year, I was inspired by our employees' nimble reaction and successful management of such a unique economic cycle.

Inflation and bank failures set the stage for banking industry financial results. Starting in 2022, the Federal Reserve began a rapid increase in rates in a bid to tame inflation. In March, the federal funds rate increased 25 bps to a target range of 0.25% to 0.50% and continued to increase to the current target range of 5.25% to 5.50%, which was set in July of 2023. The Fed's actions worked to curb inflation by significantly increasing the cost of borrowing and shrinking the overall money supply in the economy. The necessary consequence of this policy was to put significant upward pressure on *our* cost of funding, thus squeezing our Net Interest Margin, which is the most significant driver of our income statement.

From an academic perspective, 2023 was a fascinating exercise in managing changes in rates both on the liability and asset side of our balance sheet to protect our overall profitability. As low-yielding assets roll off our balance sheet, we are able to originate higher yielding assets which will lift our margin over the coming months and years. For the previous decade, Fed Fund rates have been near zero and, thus, we have been originating loans at significantly lower rates than today. Due to the relatively short half-life of our lending portfolio, we are able to reinvest those assets at higher yields quickly, thereby relieving the pressure between the rapid increase in our cost of funds and the average yield on assets.

Summary Financial Results

Net income and diluted earnings per share decreased 6.5% to $44.7 million and 5.9% to $23.88, respectively, compared to 2022. Return on average assets for 2023 was 0.92%, while return on average equity was 13.84% and the efficiency ratio was 63.9%.

Loans grew $227 million (or 7%) during 2023, demonstrating both our commitment to the community and the reinvestment of our assets at higher rates. This growth, combined with positive impacts of interest rate increases, led to a $52 million (or 31%) increase in total interest income. However, our interest expense (i.e., cost of funding) went up even faster ($63 million or 270%). This resulted in an $11 million decrease in net interest income which was the primary driver of the lower net income and earnings per share. While our customers' requirement for higher rates of deposit interest reduced our overall margins, it did provide a meaningful opportunity for us to further deepen the engagement with our deposit base.

Differentiating CNB From Bank Failures

In March of 2023, three regional banks in the western US failed due to bank runs that destroyed their liquidity and ability to continue. All banks, CNB included, immediately took a hard look at what happened in those bank failures to potential vulnerabilities. Ultimately, those failures resulted from concentrations in a particular type of customer, loan asset class, or a combination thereof. In the cases of Silicon Valley Bank and Signature Bank, there were heavy concentrations of lending to the "tech start-up" sectors, which are largely backed by a concentrated number of private equity concerns. Private equity lost faith in the banks' solvency and instructed their related start-up companies to pull their deposits, and, as a result, a good old fashioned bank run ensued.

Another identified area of vulnerability was in the subcategory of Commercial Real Estate lending to large multi-tenant office buildings. The pandemic forced workers to abandon office buildings in favor of remote working. As the pandemic subsided, the demand for office space has been greatly diminished, particularly in large cities where there is the greatest concentration of buildings primarily dedicated to office space. Lending institutions with a concentration of these assets on their books have fallen upon hard times.

Finally, a common factor among the banks that failed was that their risk management functions failed. Many of them had grown very quickly over a brief period and did so by focusing upon industry segments that were inherently risky, such as tech start-ups and/or digital currency businesses. There was a willful failure to bolster risk management functions to keep pace with their asset growth and associated business complexity. Had those banks properly developed and listened to their risk management functions, their growth would have necessarily been slower, as they would have identified and honestly acknowledged the danger associated with their activities.

CNB has always focused upon lending to the communities it serves instead of any one type of borrower or asset class. Upon the bank failures in March, we very quickly affirmed a lack of any material concentration of CNB's lending or customer type. To the extent that we are weighted in Commercial Real Estate, those loans are spread across every type of business within our community. This assortment protects us from a downturn in any particular industry or category of customer. We are highly diversified across our communities. Moreover, we have invested in the development of our risk management functions and people to keep pace with the growth in our assets and complexity. Our Executive Vice President – Chief Administrator, who oversees Risk Management, sits at the executive table and plays an active role in the planning and execution of our business. Thus, we share none of the characteristics of those failed institutions, and we were intentional to communicate our stable posture through media and other outlets to our customers and the community at large.

> *CNB has always focused upon lending to the communities it serves.*

Stock Prices

The combination of bank failures, liquidity concerns, and the magnitude of the change in demand for interest on deposit accounts, coupled with the increase in market volatility and uncertainty which pervaded the public markets through the first half of 2023, played havoc with stock prices of regional and community banks. We were no exception. The hysteria around the bank failures, liquidity, unrealized losses on security portfolios, etc., substantially lost volume over the course of the year. The economy has continued to remain healthy while inflation continues to decrease and credit quality remains stable. These and other positive factors resulted in stock price recoveries across the general banking industry toward the end of 2023, relative to the more significant declines experienced earlier in the year. Stock price-to-earnings multiples have generally converged to a median of around 10 times for our peers in the industry, which approximates the multiples we ended 2023 at.

Our stock took a different path to arrive at this comparable end point. Looking back to the start of 2020 (pre-pandemic) through the end of 2023, our stock price increased a total of $42.49 (21%). The ABA Community Bank Index (ABAQ), which includes more than three hundred community banks, was flat.

During 2020, the ABAQ was down nearly 40% for a good portion of the year, then returned to flattish during

2021 and 2022, and subsequently experienced declines peaking close to 30% in the middle of 2023, finally recovering in the fourth quarter to only being down 5% for the year. Our stock never went down during 2020 (it increased 8% for the year), increased during 2021 (36%) and 2022 (17%), but then decreased 30% (or $104.32) during 2023.

We were pleased to return a full-year dividend per share of $9.00 to you in 2023, an increase of 3.4%, or $0.30 per share over the prior year. A steady dividend payment as part of a responsible capital management strategy, coupled with a watchful eye on growth and reinvestment has been and continues to be our focus. Earnings and capital management, especially as we manage through the peak of this rate cycle, are the best ways that we can support our dedicated shareholder base.

A steady dividend payment–part of a responsible capital management strategy.

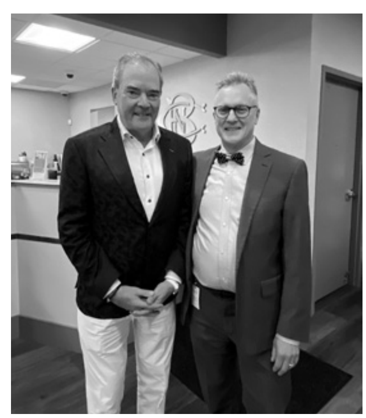
Tenacity and Teamwork Yield Success

We saw none of the deposit "flight to safety" that other banks experienced as some large deposit customers placed their deposits above FDIC coverage (larger than $250,000) with the large banks that are perceived as being "too big to fail." At the local market level, we did see a "flight to yield" as depositors sought to take advantage of the changing deposit pricing environment. We very successfully maintained our deposit base by continually adjusting pricing of our deposit products to remain competitive. This necessarily increased our average Cost of Funds and thus worked against our efforts to maintain our net interest margin. Nonetheless, our efforts resulted in our ability to continue servicing community lending needs while limiting dependence on higher-cost borrowing sources.

Similarly, we increased our lending rates across all portfolios to protect our margin and remained competitive. Increasing rates slowed demand for loan production, but we were able to redeploy matured, low-yielding assets from our securities and indirect auto lending portfolios into higher-yielding assets in our mortgage and commercial lending portfolios. Despite the rate environment, we grew total loan assets by approximately 6.5% over 2022. Thus, we were able to continue lending into the community while others within our market significantly retracted or ceased lending altogether.

It is important to give credit where it is due. From a deposit perspective, our staff within the branches did exceptional work managing customer expectations and even exceeded them. In our Chili Community Office, what began as an inquiry for a commercial loan resulted in several accounts and $5,000,000 in deposits. Our Retail and Commercial teams attribute it to effective communication, perseverance, and follow-through. Suzanne Wedgwood, Vice President, Manager of the Chili Community Office, shared: "Our whole team enjoys what we do. It does not feel like work."

In our Perinton branch, tenacity and teamwork developed a relationship that began with a pandemic Payroll Protection Program loan to a fast-growing local company into a long-term partnership with an enthusiastic customer:



"I wanted a bank focused on customers, personalized service, quality products, and responsiveness. The same values we strive to provide our customers. Even more importantly, CNB has assisted many of our employees with mortgages, auto loans, home equity loans, and more. As our business continues doubling each year, CNB has the products we need to fund our growth and avoid the multitude of fees associated with the nationwide banks in town. At CNB, the people make the difference!" said Bob Jacobson, CEO of Litecoms.

The agility with which our people were able to react to changes in product pricing based both upon local competition and balance sheet considerations was simply exceptional. This was critical to hold down our cost of funding while also satisfying the needs of our customers.

Similarly, our lenders fought through an environment of increasing lending rates not seen for quite some time. This has been a substantial adjustment for our customers and the community at large. Demand slowed for lending as borrowing affordability was impacted by higher rates. This was offset by a moderate retraction from lending by competitors within our market as they dealt with their own liquidity and borrowing expense considerations. Throughout the year, we continuously increased our rates, which required significant and continuous conversations across our various customer segments. Those conversations allowed us to build relationships with our customers and grow our lending assets despite Federal Reserve policy designed specifically to hamper loan production.

The Year Ahead

I am impressed with both the intellect and professionalism of our people required to translate the esoteric needs of our balance sheet management into practical effect through conversations and interactions with our customer base. We fully expect this dance to continue through 2024 and have demonstrated the ability to do so while meeting customer expectations.

It is going to take time for the banking industry to adjust to the new normal interest rate environment. Interest rates have been artificially low for over a decade and loans have been originated and placed onto balance sheets commensurate with that artificially low rate environment. As we return to a historically normalized interest rate environment, both sides of our balance sheet will naturally adjust and normalize. Depositors will expect greater rates on their deposits and similarly will not be shocked by a 7% mortgage rate or 10% rate for a used car (I paid 16% for my first used car in 1993).

> *We are exceptionally adept at handling competitive forces.*

By design, the duration of our various lending portfolios is relatively short, allowing us to reinvest our capital at current rates quickly and thus protect our margins. Throughout 2024, we expect continued upward pressure on deposit/liability rates, which will hamper our ability to increase margins and continue to affect earnings. How long and to what extent this occurs is a function of competition and Federal Reserve rate policy. We are exceptionally adept at handling competitive forces as demonstrated by our ability to maintain our deposit base. However, speculation on what the Federal Reserve will do over the course of the next 12 months is broad. Various analysts have predicted anywhere from six decreases (1.50% total) in the federal funds rate beginning this spring, versus other speculations of only three decreases (0.75%) beginning in the summer. Trying to predict this is difficult, thus we manage our balance sheet and interest rate risk in a manner that produces results within a reasonable range under numerous scenarios and likelihoods.

The Federal Reserve has been focused upon bringing down inflation. Normally, when interest rates increase, Gross Domestic Product (GDP) decreases and unemployment increases, which drives inflation down. Moreover, when the Treasury yield curve inverts (i.e., 90-day rate > 10-year rate) for a period of months, it is a strong predictor of a recession (negative GDP). The yield curve has been inverted for nearly two years, with negative GDP growth only occurring to a minor extent during the first half of 2022. Over 14 months, the Federal Reserve raised rates more than 5%, yet GDP has remained positive throughout the second half of 2022 and all of 2023, and unemployment has remained low. Nonetheless, inflation is trending toward the Federal Reserve's target of 2%. This should help demonstrate the difficulty in predicting what the future rate and macro economic environment will look like.

CNB's Steady Course

Despite the economic challenges, I can proudly say we held steady with our support of more than three hundred community organizations through both sponsorships and gifts. When flooding in Canandaigua devastated dozens of our neighbors, our team rallied, helping to deliver meals and collaborating with leaders of government and nonprofits to leverage the asset of our Finger Lakes Area Community Endowment (FLACE) to set up a flood relief fund, of which CNC donated $10,000. In total, $90,000 in direct aid was raised to benefit victims of the flooding. We also took time to celebrate our employees, along with the PGA Championship at Oak Hill Country Club. The bank sponsored a chalet, and we hosted more than 500 guests during the week who enjoyed CNB hospitality and a perfect view of the 18th green.

CNB has stayed true to the base principles of community banking that have sustained us over the last century. We continue to focus on maintaining a relatively short duration on our interest-bearing assets. We focus on customer experience and expectations. All of us focus on maintaining the culture necessary to deliver the customer experience that differentiates us from our competition. CNB resists the temptation to make short-term decisions that will adversely affect our ability to take advantage of the inevitable change in environment. We do not take bets on the future; we invest in it.

This lesson is one of many that I am grateful to have learned from my father, George W. Hamlin, IV. At the end of 2023, he stepped aside as Chair of the Canandaigua National Corporation Board, but he retains a seat on the board of CNC, Canandaigua National Bank & Trust, and Canandaigua National Trust Company of Florida. His 44 years of leadership are the foundation on which we securely stand today. On behalf of everyone in the company, we owe him a debt of gratitude. The leadership of the CNC board is now in the very capable hands of Michael C. Goonan, a Board member since 2015 and former CFO of the University of Rochester Medical Center.

We celebrated several retirements in 2023 which are detailed later in this report. We are immensely grateful for their dedication and service. After 12 years of service as our Executive Vice President, Chief Retail Officer, and 26 years with CNB, Karen Serinis has retired. Her legacy is steeped in the bank's unparalleled commitment to customer service. Karen is succeeded by Gwen Crawford, whom she mentored for the role and who has very comfortably transitioned into it.

I also want to give special recognition to the following individuals who have each given over 40 years of service to our organization: Linda Schnitzler, Senior Vice President, Chief Risk Officer, 43 years; Sandy Roberts, Senior Vice President and Chief Information Officer, 42 years; and Scott Trumbower, Senior Vice President, Director of Shareholder Relations, 41 years. Their collective contributions have been instrumental. Please join me in congratulating them on their exceptional achievements.

Finally, thank you for your faith and investment in this institution. Thank you for understanding the significant role this institution plays in the long-term care, feeding, and growth of our communities. And thank you for the privilege of working with the exceptional people who make it all happen.

Sincerely,

Frank H. Hamlin III

Frank H. Hamlin, III
President and CEO

CNC Shareholder Relations

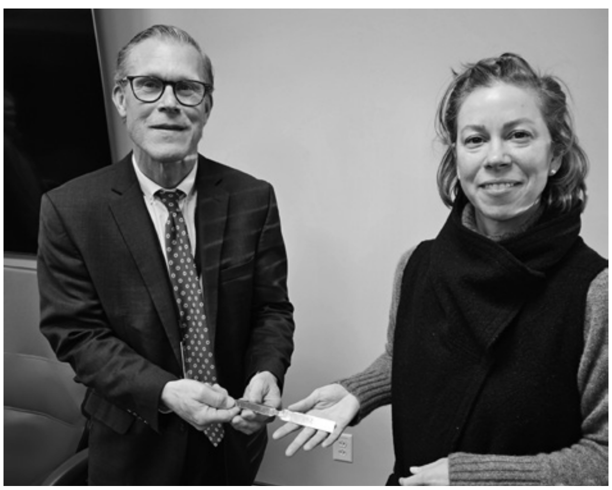
Canandaigua National Corporation (CNC) is the holding company for The Canandaigua National Bank & Trust Company (CNB) and Canandaigua National Trust Company of Florida (CNTF). In combination, these companies and their subsidiaries provide a full range of financial services, including banking, trust,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

Heather Sullivan
Shareholder Relations Manager
(585) 394-4260 x 36226
HSullivan@CNBank.com

CNB is an independent community bank and a member of the FDIC. CNC stock trades primarily in auctions based on shareholder purchases and sales submitted in a sealed-bid process.

Consistent with our strategy as a community bank, we make decisions locally, based 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.



2023 Shareholder Team

After 41 years of loyal and dedicated service to our organization, Scott Trumbower retired as of December 31, 2023. We're immensely grateful for his countless contributions and his commitment to our shareholders. To succeed Scott, we're pleased to introduce Heather Sullivan as our new Shareholder Relations Manager. Heather joined CNC in 2022 as a Senior Financial Analyst with more than 20 years of prior experience in the financial services industry.

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

2023 Shareholder Updates

The Shareholder Relations page is located on the Canandaigua National Bank & Trust website at CNBank.com/ShareholderRelations. On this page, you will find the last auction stock price, recent high/low bids, the date of our next stock auction, dividend information, and more. This information is regularly updated and available online for your convenience. The Shareholder Advisory Group has provided some valuable insights, guidance, and feedback, as we continue to develop our overall shareholder experience.

Finally, please take a moment and provide us with your current email address and phone number so we can stay in touch with you: **cncshareholderrelations@CNBank.com.**

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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2023 Annual Report

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Annual Meeting

The Annual Meeting of Shareholders of Canandaigua National Corporation (the Company) will be held virtually via live webcast on the website www.cesonlineservices.com/cnnd24_vm and in person at 72 South Main Street, Canandaigua, NY, 14424; Wednesday, April 17, 2024, at 1:00 p.m.

Note: To participate via webcast, a shareholder must pre-register at www.cesonlineservices.com/cnnd24_vm no later than 1:00 p.m. Eastern Time, Tuesday, April 16, 2024, 24 hours prior to the start of the meeting. To participate in person, please be prepared for social distancing and masking protocols which may still 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)

	2023	% Change	2022	2021	2020	2019
Income Statement Information:						
Net interest income	$ 133,470	(7.4)%	144,109	127,396	108,044	100,426
Provision for loan losses	7,691	48.1 %	5,195	7,416	13,592	6,850
Non-interest income (1)	50,845	0.2 %	50,734	56,346	59,738	51,481
Operating expenses	117,841	(6.5)%	126,001	117,577	99,091	94,472
Income taxes	14,046	(11.0)%	15,787	14,000	12,829	11,402
Net income attributable to CNC	44,731	(6.5)%	47,854	44,744	42,265	39,178
Balance Sheet Data - Period End:						
Investments (2)	$ 1,023,323	(7.0)%	1,100,384	836,170	415,321	394,456
Loans, net	3,665,963	6.5 %	3,440,716	3,152,407	2,951,484	2,437,588
Assets	4,883,787	2.9 %	4,747,541	4,160,371	3,635,357	3,015,665
Deposits	3,586,978	(4.7)%	3,762,068	3,515,990	2,965,948	2,387,940
Borrowings	810,800	53.5 %	528,200	200,000	250,000	250,000
Equity	347,576	11.2 %	312,559	318,713	295,747	265,971
Balance Sheet Data - Average:						
Investments (2)	$ 1,031,388	2.0 %	1,010,851	636,456	391,105	401,288
Loans, net	3,596,930	8.4 %	3,317,597	3,106,898	2,805,615	2,374,738
Assets	4,866,726	7.4 %	4,529,920	3,942,058	3,419,157	2,954,166
Deposits	3,649,897	(2.1)%	3,727,581	3,306,531	2,741,807	2,346,916
Borrowings	748,593	105.3 %	364,555	219,304	269,668	256,823
Equity	323,201	3.5 %	312,339	307,135	277,867	249,040
Asset Under Administration: (3)						
Market value	$ 4,555,708	7.5 %	4,238,899	4,670,290	3,953,176	3,690,204
Per Share Data:						
Net income, basic	$ 23.99	(6.0)%	25.51	23.90	22.57	20.91
Net income, diluted	23.88	(5.9)%	25.38	23.77	22.43	20.77
Cash dividends	9.00	3.4 %	8.70	7.60	7.00	5.70
Book Value	187.34	12.3 %	166.88	169.94	158.09	142.18
Closing stock price (4)	246.93	(29.7)%	351.25	301.54	221.03	204.44
Weighted average shares - diluted	1,873,023	(0.7)%	1,885,391	1,882,449	1,883,922	1,886,218
Other ratios:						
Return on average assets	0.92 %	(13.2)%	1.06 %	1.14 %	1.24 %	1.33 %
Return on average equity	13.84 %	(9.7)%	15.32 %	14.57 %	15.21 %	15.73 %
Return on beginning equity	14.31 %	(4.7)%	15.01 %	15.13 %	15.89 %	16.77 %
Dividend payout	37.69 %	9.9 %	34.28 %	31.97 %	31.20 %	27.44 %
Average equity to average assets	6.64 %	(3.8)%	6.90 %	7.79 %	8.13 %	8.43 %
Net interest margin	2.88 %	(14.3)%	3.36 %	3.40 %	3.37 %	3.62 %
Efficiency (5)	63.97 %	(0.5)%	64.30 %	63.94 %	59.03 %	62.04 %
Employees (year end)						
Total	668	2.8 %	650	622	580	572
FTE's	632	2.4 %	617	589	549	536

(1) 2020 includes an $8.1 million gain on sale attributed to the sale of WBI OBS Financial, LLC (WBI).
(2) Includes the Company's investment in Federal Reserve Bank stock and Federal Home Loan Bank stock.
(3) These assets are held in a fiduciary or agency capacity for clients and are not included in our balance sheet.
(4) Price is based upon last sealed-bid auction of the respective year, administered by the Bank's Trust Department.
(5) 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023, 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 29, 2024 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326, Financial Instruments – Credit Losses (ASC 326). The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

(Continued)

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 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 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 consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated 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 29, 2024

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022
(dollars in thousands, except share data)

		2023	2022
Assets			
Cash and due from banks	$	48,646	59,891
Interest-bearing deposits with other financial institutions		5,061	2,185
Federal funds sold		343	252
Cash and cash equivalents		54,050	62,328
Securities:			
- Debt, Available for sale, at fair value (amortized cost $544,394 and $598,038, respectively), net of allowance for credit losses of $0 at December 31, 2023		504,642	543,563
- Debt, Held-to-maturity (fair value of $416,604 and $454,532, respectively), net of allowance for credit losses of $0 at December 31, 2023		478,997	526,830
- Equity, at fair value		7,780	7,673
Loans held for sale, at lower of cost or fair value		4,182	1,640
Loans, gross		3,701,644	3,477,511
Allowance for credit losses on loans		(35,681)	(36,795)
Loans - net		3,665,963	3,440,716
Premises and equipment – net		26,412	22,446
Accrued interest receivable		17,770	15,254
Federal Home Loan Bank stock and Federal Reserve Bank stock		31,904	22,318
Goodwill		8,818	8,818
Other assets		83,269	95,955
Total Assets	$	4,883,787	4,747,541
Liabilities and Stockholders' Equity			
Deposits:			
Demand			
Non-interest bearing	$	827,385	966,712
Interest bearing		389,514	432,453
Savings and money market		1,387,841	1,603,833
Time		982,238	759,070
Total deposits		3,586,978	3,762,068
Borrowings		810,800	528,200
Junior subordinated debentures		51,547	51,547
Accrued interest payable and other liabilities		86,886	93,167
Total Liabilities		4,536,211	4,434,982
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		14,194	13,845
Retained earnings		374,859	345,957
Treasury stock, at cost (92,803 shares and 75,398 shares, respectively)		(19,719)	(14,417)
Accumulated other comprehensive loss, net		(31,797)	(42,869)
Total Canandaigua National Corporation Stockholders' Equity		347,269	312,248
Noncontrolling interests		307	311
Total Stockholders' Equity		347,576	312,559
Total Liabilities and Stockholders' Equity	$	4,883,787	4,747,541

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2023 and 2022
(dollars in thousands, except per share data)

		2023	2022
Interest income:			
Loans, including fees	$	195,100	148,915
Securities		23,955	18,264
Federal funds sold		22	6
Interest-bearing deposits with other financial institutions		674	251
Total interest income		219,751	167,436
Interest expense:			
Deposits		52,833	12,713
Borrowings		29,961	8,796
Junior subordinated debentures		3,487	1,818
Total interest expense		86,281	23,327
Net interest income		133,470	144,109
Provision for credit losses		7,691	5,195
Net interest income after provision for credit losses		125,779	138,914
Non-interest income:			
Service charges on deposit accounts		20,051	20,212
Trust and investment services		25,629	25,768
Net gain on sale of mortgage loans		201	1,661
Loan servicing, net		1,378	1,400
Loan-related fees		315	377
Loss on securities transactions, net		(1)	(20)
Other non-interest income		3,272	1,336
Total non-interest income		50,845	50,734
Operating expenses:			
Salaries and employee benefits		62,564	74,680
Technology and data processing		17,324	16,345
Occupancy, net		10,627	10,773
Professional and other services		6,570	7,067
Marketing and public relations		3,077	3,245
FDIC insurance		3,657	2,997
Office supplies, printing and postage		2,648	1,999
Other real estate operations		13	32
Other operating expenses		11,361	8,863
Total operating expenses		117,841	126,001
Income before income taxes		58,783	63,647
Income taxes		14,046	15,787
Net income		44,737	47,860
Net income attributable to noncontrolling interests		6	6
Net income attributable to Canandaigua National Corporation	$	44,731	47,854
Basic earnings per share	$	23.99	25.51
Diluted earnings per share	$	23.88	25.38

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2023 and 2022
(dollars in thousands)

		2023	2022
Net income	$	44,737	47,860
Other comprehensive income (loss):			
Unrealized net interest rate swap gains arising during the year, net of taxes of $0 and $(105) respectively		-	299
Unrealized net security gain (losses) arising during the year, net of taxes of $(3,783) and $12,640 respectively		10,940	(36,223)
Amortization of unrealized net losses on held-to-maturity securities transferred from available-for-sale securities, net of taxes of $(45) and $(47) respectively		132	103
Other comprehensive income (loss)		11,072	(35,821)
Total comprehensive income	$	55,809	12,039
Comprehensive income attributable to the noncontrolling interests	$	6	6
Comprehensive income attributable to the Company	$	55,803	12,033

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2023 and 2022
(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, 2021	1,873,464	9,732	13,316	314,581	(12,209)	(7,048)	341	318,713
Total comprehensive income		-	-	47,854	-	(35,821)	6	12,039
Purchase of treasury stock	(1,538)				(506)			(506)
Sale of treasury stock	3		1		1			2
Shares issued as compensation	919		158		135			293
Exercise of stock options and Stock - Appreciation Rights	3,832		370	(152)	562			780
Cash dividends declared ($8.70 per share)				(16,326)				(16,326)
Stock Repurchase	(5,582)				(2,400)			(2,400)
Sale of noncontrolling interest							(30)	(30)
Dividend to noncontrolling interests							(6)	(6)
Balance at December 31, 2022	1,871,098	9,732	13,845	345,957	(14,417)	(42,869)	311	312,559
Cumulative effect of change in accounting principle - Topic 326	-	-	-	1,103	-	-	-	1,103
Balance at January 1, 2023 as adjusted	1,871,098	9,732	13,845	347,060	(14,417)	(42,869)	311	313,662
Total comprehensive income		-	-	44,731	-	11,072	6	55,809
Purchase of treasury stock	(20,354)				(5,679)			(5,679)
Shares issued as compensation	849		159		123			282
Exercise of stock options and Stock Appreciation Rights	2,285		190	(126)	334			398
Cash dividends declared ($9.00 per share)				(16,806)				(16,806)
Stock Repurchase	(185)				(80)			(80)
Sale of noncontrolling interest							(4)	(4)
Dividend to noncontrolling interests							(6)	(6)
Balance at December 31, 2023	1,853,693	9,732	14,194	374,859	(19,719)	(31,797)	307	347,576

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022
(dollars in thousands)

	2023	2022
Cash flow from operating activities:		
Net income	$ 44,737	$ 47,860
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	19,399	20,642
Provision for credit losses	7,691	5,195
Loss on security transactions, net	1	20
Loss on sale of fixed and other assets and other real estate, net	(69)	(27)
Deferred income taxes	3,462	(1,552)
Gain on sale of mortgage loans, net	(201)	(1,661)
Originations of loans held for sale	(79,466)	(149,799)
Proceeds from sale of loans held for sale	76,671	160,083
Change in other assets	9,453	(18,530)
Change in other liabilities	(7,378)	20,412
Loss on equity securities	(107)	1,004
Termination of ROU Asset and Lease Liability	(1,779)	-
Net change in operating lease right-of-use assets and liabilities	2,017	337
Net cash provided by operating activities	74,431	83,984
Cash flow from investing activities:		
Debt Securities, available-for-sale:		
Proceeds from maturities and calls	60,824	80,159
Purchases	(16,257)	(164,961)
Debt Securities, held to maturity:		
Proceeds from maturities and calls	48,490	40,589
Purchases	(789)	(261,881)
Loan originations in excess of principal collections, net	(244,378)	(308,664)
Purchase of premises and equipment, net	(6,748)	(6,482)
Purchase of Federal Home Loan Bank and Federal Reserve Bank stock	(9,586)	(9,599)
Proceeds from sale of other real estate	120	119
Net cash used in investing activities	(168,324)	(630,720)
Cash flow from financing activities:		
Net (decrease) increase in demand, savings and money market deposits	(398,258)	90,965
Net increase in time deposits	223,168	155,113
Overnight and short-term borrowings, net	82,600	128,200
Proceeds from long-term borrowings	200,000	200,000
Stock repurchase	(80)	(2,400)
Exercise of stock options	398	780
Payments to acquire treasury stock	(5,679)	(506)
Proceeds from issuance of treasury stock under stock option plan	282	293
Proceeds from issuance of treasury stock under stock option plan	-	2
Change in noncontrolling interest, net	(4)	(30)
Dividends paid	(16,812)	(16,332)
Net cash provided by financing activities	85,615	556,085
Net (decrease) increase in cash and cash equivalents	(8,278)	9,349
Cash & cash equivalents - beginning of period	62,328	52,979
Cash and cash equivalents - end of period	$ 54,050	$ 62,328
Supplemental disclosure of cash flow information:		
Interest paid	$ 80,775	$ 21,613
Income taxes paid	11,347	15,770
Supplemental schedule of noncash investing activities		
Real estate acquired in settlement of loans	$ 224	$ 90
Transfer from debt securities available for sale to debt securities held to maturity	$ -	$ 303,630

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Business

Canandaigua National Corporation (the Parent) and subsidiaries (the Company) provide 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), and Canandaigua National Trust Company of Florida (CNTF). 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 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 29, 2024, the date the financial statements were made available to be issued.

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments).

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. Results for reporting periods after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net increase to retained earnings of $1.1 million as of January 1, 2023, for the cumulative effect of adopting ASC 326 including tax impact. The Company recorded a net decrease to the allowance for loan losses of $3.3 million and an increase of $1.7 million to unfunded commitment liability as of January 1, 2023 for the cumulative effect of adopting ASC 326.

As allowed by ASC 326, the Company elected to maintain pools of loans accounted for under ASC 310-30. The Company has been segmenting its loan portfolios into pools with common risk characteristics for approximately 15 years and elected to use these same segmentations to estimate appropriate CECL reserve calculations due to the significant historical data available, particularly for past dues, losses and recoveries, etc.

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.

Interest-Bearing Deposits with Other Financial Institutions

Interest-bearing deposits with other financial institutions mature within one year and are carried at cost.

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.

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.

Effective January 1, 2023, the Company adopted provisions of ASC 326 and modified its accounting policy for the assessment of available for sale debt securities for impairment. The Company has made an accounting policy election to exclude accrued interest from the amortized cost basis of debt securities. The Company also excludes accrued interest from the estimate of credit losses on debt securities.

A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a debt security placed on nonaccrual is reversed against interest income. There were no debt securities on nonaccrual status as of December 31, 2023 and December 31, 2022 and, therefore there was no accrued interest related to debt securities reversed against income for 2023 and 2022.

For available for sale debt securities in an unrealized loss position, management first assesses whether the Company intends to sell, or if it is likely that the Company will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through a provision for credit losses charged to earnings. For debt securities available for sale that do not meet either of these criteria, management evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers both quantitative and qualitative factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss), net of tax. The Company elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses.

Under ASC 326, changes in allowance for credit losses are recorded as provision for, or reversal of, credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Prior to January 1, 2023, the accounting policy on the assessment of available for sale securities for impairment was based on an other-than-temporary assessment (OTTI). For securities in an unrealized loss position, management considered the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assessed whether it intended to sell, or it was more likely than not would be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell was met, the entire difference between amortized cost and fair value was recognized as impairment through earnings. For debt securities that did not meet the aforementioned criteria, the amount of impairment was split between two components as follows: (1) OTTI related to credit loss, which was recognized in the income statement and (2) OTTI related to other factors, which was recognized in other comprehensive income (loss). The credit loss was defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Under ASC 326, management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities are excluded from the estimate of credit losses. Other held to maturity securities include state and municipal obligations and corporate obligations, which are highly rated securities. State and municipal obligations are securities issued by state and local governments for various purposes. The Company is not aware of any information subsequent to the purchase of any state and municipal obligation that indicates an inability of the issuer to meet all of its financial commitments.

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 Held for Sale

Loans held for sale are carried at the lower of cost or fair value. Fair value is determined by outstanding commitments from investor and net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Gains and losses on loan sales are based on the difference between the selling price and carrying value of the related loan sold. In instances where servicing rights are retained, the carrying value of loans sold is reduced by the amount allocated to the servicing right.

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.

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 (six 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.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured at which time all previously reversed interest is recognized as income.

Allowance for Credit Losses - Loans

The allowance for credit losses (“ACL”) is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans. The ACL on loans is increased through a provision for credit losses recognized in the Consolidated Statements of Income and by recoveries of amounts previously charged-off. The ACL on loans is reduced by charge-offs on loans. Loan charge-offs are recognized when management believes the collectability of the principal balance outstanding is unlikely. Full or partial charge-offs on collateral-dependent individually analyzed loans are generally recognized when the collateral is deemed to be insufficient to support the carrying value of the loan.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The historical loss experience is determined by portfolio segment and the Company uses a discounted cash flow (DCF) methodology to estimate credit losses over the expected life of the loan. 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 changes in collateral values; changes in lending policies, procedures and practices; experience, ability and depth of lending management and other relevant staffing and experience; changes in the quality of loan review system; national and local economic trends and conditions; effect of legal and regulatory factors; and effects of changes in credit concentrations.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Pooled loan portfolio segments include commercial and industrial, commercial mortgage, residential first-lien mortgages, residential junior lien mortgages, indirect and consumer loans. The risk characteristics of each of the identified portfolio segments are as follows:

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. 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, 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 vehicle dealers on behalf of the Company. 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.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. For loans that are individually analyzed, the ACL is measured using a discounted cash flow (DCF) method based upon the loan's contractual effective interest rate, or at the loan's observable market price, or, if the loan is collateral dependent, at the fair value of the collateral. Factors management considers when measuring the extent of expected credit loss include payment status, collateral value, borrower financial condition, guarantor support and the probability of collecting scheduled principal and interest payments when due. For collateral dependent loans for which repayment is to be provided substantially through the sale of the collateral, management adjusts the fair value for estimated costs to sell. For collateral dependent loans for which repayment is to be provided substantially through the operation of the collateral, estimated costs to sell are not incorporated into the measurement. Management may also adjust appraised values to reflect estimated market value declines or apply other discounts to appraised values for unobservable factors resulting from its knowledge of circumstances associated with the collateral.

The Company has made an accounting policy election to exclude accrued interest from the amortized cost basis of loans and the Company also excludes accrued interest from the estimate of credit losses on loans.

Prior to January 1, 2023, the allowance for loan losses was based on a probable incurred loss methodology and represented management's estimate of the risk of loss inherent in the loan portfolio. Management estimated the allowance balance using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors.

The allowance for loan losses consisted of specific and general components. The specific component related to loans that were individually classified as impaired. The general component covered non-impaired loans and was based on historical loss experience adjusted for current factors.

A loan is considered impaired when, based on then-current information and events, it is probable that the Bank will be unable to collect all principal and interest contractually due. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected from the collateral.

The general component of the allowance covered non-impaired loans and was based on historical loss experience adjusted for current factors. The historical loss experience was determined by portfolio segment and based on the actual loss history experienced by the Bank over the average of the prior three years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects on 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 staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Allowance for Credit Losses on Unfunded Commitments

The Company adopted the provisions of ASC 326 effective January 1, 2023 and modified its accounting policy for the ACL on unfunded commitments. The ACL on unfunded commitments is management's estimate of expected credit losses over the expected contractual term (or life) in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. Unfunded commitments for home equity lines of credit and commercial demand loans are considered unconditionally cancellable for regulatory capital purposes and, therefore, are excluded from the calculation to estimate the ACL on unfunded commitments. For each portfolio, estimated loss rates and funding factors are applied to the corresponding balance of unfunded commitments. For each portfolio, the estimated loss rates applied to unfunded commitments are the same quantitative and qualitative loss rates applied to the corresponding on-balance sheet amounts in determining the ACL on loans. The estimated funding factor applied to unfunded commitments represents the likelihood that the funding will occur and is based upon the Company's average historical utilization rate for each portfolio.

The ACL on unfunded commitments is included in other liabilities in the Consolidated Balance Sheets. The ACL on unfunded commitments is adjusted through a provision for credit losses recognized in the Consolidated Statements of Income.

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 the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings outstanding and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the likelihood of 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 the likelihood of 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 decline occurs. 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 and Florida. 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, 2023 and 2022.

The Company has utilized 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. Swaps utilized in this manor have matured, and there are no active swaps of this nature as of December 31, 2023.

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 $328.1 million and $262.3 million as of December 31, 2023 and 2022, respectively. The fair value is recorded in other assets and other liabilities on the Consolidated Balance Sheets.

Accumulated Other Comprehensive 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 amortization of unrealized net losses on held-to-maturity securities transferred from available-for-sale. Accumulated other comprehensive 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, 2023 are summarized as follows:

	2023				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Allowance for Credit Losses	Fair Value
Debt Securities Available for Sale:					
U.S. Treasury	$ 7,528	-	(172)	-	7,356
U.S. government sponsored enterprise obligations	430,702	36	(35,093)	-	395,645
State and municipal obligations	100,164	-	(3,503)	-	96,661
Corporate obligations	6,000	-	(1,020)	-	4,980
Total Debt Securities Available for Sale	$ 544,394	36	(39,788)	-	504,642

Debt Securities Held to Maturity:	Amortized Cost	Unrecognized Gains	Unrecognized Losses	Allowance for Credit Losses	Fair Value
U.S. government sponsored enterprise obligations	$ 477,728	-	(62,411)	-	415,317
State and municipal obligations	1,124	4	(5)	-	1,123
Corporate obligations	145	20	(1)	-	164
Total Debt Securities Held to Maturity	$ 478,997	24	(62,417)	-	416,604

The amortized cost and fair value of debt securities by years to maturity as of December 31, 2023, 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	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Years				
Under 1	$ 70,828	69,610	1,124	1,124
1 to 5	378,478	351,300	-	-
5 to 10	87,759	77,066	22,254	20,542
10 and over	7,329	6,666	455,619	394,938
Total	$ 544,394	504,642	478,997	416,604

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, 2022 are summarized as follows:

		2022			
		Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Debt Securities Available for Sale:					
U.S. Treasury	$	7,523	-	(330)	7,193
U.S. government sponsored enterprise obligations		437,584	37	(48,102)	389,519
State and municipal obligations		146,931	-	(5,540)	141,391
Corporate obligations		6,000	-	(540)	5,460
Total Debt Securities Available for Sale	$	598,038	37	(54,512)	543,563
		Amortized Cost	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
Debt Securities Held to Maturity:					
U.S. government sponsored enterprise obligations	$	525,625	-	(72,291)	453,334
State and municipal obligations	$	1,048	-	(21)	1,027
Corporate obligations		157	18	(4)	171
Total Debt Securities Held to Maturity	$	526,830	18	(72,316)	454,532

At December 31, 2023, and 2022, securities at amortized cost of $811.0 million and $385.2 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 2023 or 2022.

Interest on securities segregated between taxable interest and tax-exempt interest for the years ended December 31, 2023 and 2022, follows (in thousands):

		2023	**2022**
Taxable	$	22,491	16,347
Tax-exempt		1,464	1,917
Total	$	23,955	18,264

The following table presents the fair value of securities with gross unrealized or unrecognized losses at December 31, 2023, 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	$	108	-	7,142	(172)	7,250	(172)
U.S. government sponsored enterprise obligations		24,214	(110)	369,418	(34,983)	393,632	(35,093)
State and municipal obligations		-	-	96,556	(3,503)	96,556	(3,503)
Corporate obligations		-	-	4,980	(1,020)	4,980	(1,020)
Total temporarily impaired debt	$	24,322	(110)	478,096	(39,678)	502,418	(39,788)
Debt Securities Held to Maturity		**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**
U.S. government sponsored enterprise obligations	$	-	-	415,317	(62,411)	415,317	(62,411)
State and municipal obligations		-	-	1,123	(5)	1,123	(5)
Corporate and foreign obligations		-	-	164	(1)	164	(1)
Total temporarily impaired debt	$	-	-	416,604	(62,417)	416,604	(62,417)

The following table presents the fair value of securities with gross unrealized or unrecognized losses at December 31, 2022, 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	$	7,001	(321)	192	(9)	7,193	(330)
U.S. government sponsored enterprise obligations		92,576	(5,623)	271,404	(42,479)	363,980	(48,102)
State and municipal obligations		88,057	(2,216)	53,334	(3,324)	141,391	(5,540)
Corporate obligations		5,460	(540)	-	-	5,460	(540)
Total temporarily impaired debt	$	193,094	(8,700)	324,930	(45,812)	518,024	(54,512)
Debt Securities Held to Maturity		**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**
U.S. government sponsored enterprise obligations	$	245,087	(27,847)	208,247	(44,444)	453,334	(72,291)
State and municipal obligations		438	(1)	589	(20)	1,027	(21)
Corporate and foreign obligations		93	(4)	1	-	94	(4)
Total temporarily impaired debt	$	245,618	(27,852)	208,837	(44,464)	454,455	(72,316)

Available for sale securities are evaluated to determine if a decline in fair value below the amortized cost basis has resulted from a credit loss or from other factors. An impairment related to credit factors would be recorded through an allowance for credit losses. The allowance is limited to the amount by which the security's amortized cost basis exceeds the fair value. An impairment that has not been recorded through an allowance for credit losses shall be recorded through other comprehensive income (loss), net of applicable taxes. Investment securities will be written down to fair value through the Consolidated Statement of Income if management intends to sell, or may be required to sell, the securities before they recover in value. The issuers of these securities continue to make timely principal and interest payments and none of these securities were past due or were placed in nonaccrual status at December 31, 2023. Management believes that the unrealized losses on these securities are a function of changes in market interest rates and credit spreads, not changes in credit quality. No allowance for credit losses was recorded at December 31, 2023 on available for sale securities.

At December 31, 2023, the held to maturity securities portfolio consisted of agency securities, corporate obligations, and state and municipal obligations. Agency securities are issued by U.S. government agencies and are implicitly guaranteed by the U.S. government. The state and municipal obligations and corporate obligations are highly rated by major rating agencies and have a long history of no credit losses. The Company regularly monitors the obligations of state and political subdivisions sector of the market and reviews collectability including such factors as the financial condition of the issuers as well as credit ratings in effect as of the reporting period. No allowance for credit losses was recorded at December 31, 2023 on held to maturity securities.

During the year ended December 31, 2022, the Company transferred $303.6 million in fair value of debt securities from available for sale to held to maturity. On the date of transfer these securities had an amortized cost of $306.9 million with a pre-tax net unrealized loss of $3.3 million, which was recorded as a discount subsequent to the transfer and will be amortized as an adjustment of yield. The unrealized holding loss at the date of transfer will continue to be reported, net of taxes, in accumulated other comprehensive loss as a component of stockholders' equity, and will be amortized over the remaining life of the securities as a yield adjustment, offsetting the impact on yield of the corresponding discount amortization.

At both December 31, 2023 and 2022, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

(3) Loans and Allowance for Credit 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, 2023 and 2022, are as follows (in thousands), along with a description of their underwriting and risk characteristics:

		2023	2022
Commercial and industrial	$	508,449	473,966
Mortgages:			
Commercial mortgage		1,088,995	975,448
Residential mortgage - first lien		918,941	790,067
Residential mortgage - junior lien		175,452	157,998
Indirect consumer lending		924,371	982,354
Consumer - Other		55,273	64,110
Total loans		3,671,481	3,443,943
Plus: Net deferred loan costs		30,163	33,568
Less: Allowance for loan losses		(35,681)	(36,795)
Loans, net	$	3,665,963	3,440,716

Commercial loan participations serviced for others amounted to $133.6 million and $143.5 million at December 31, 2023 and 2022, respectively. Residential mortgage loans serviced for Freddie Mac, amounted to $725.0 million and $744.5 million at December 31, 2023 and 2022, 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 $5.5 million and $6.7 million at December 31, 2023 and 2022, respectively. During 2023, new borrowings amounted to $0.7 million (including borrowings of executive officers and directors that were outstanding at the time of their election), and repayments and other reductions were $1.9 million.

Allowance for Credit Losses

The following tables present an analysis of the allowance for credit losses by loan type, including a summary of the loan types individually and collectively evaluated for impairment as of December 31, 2023 and 2022, 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 $30.2 million and $33.6 million of net deferred loan costs as of December 31, 2023 and December 31, 2022, respectively.

		2023						
		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Beginning Balance, prior to adoption of ASC 326	$	4,930	3,911	2,909	313	22,483	2,249	36,795
Impact of adopting ASC 326		1,686	5,922	5,188	185	(15,359)	(879)	(3,257)
Charge-offs		(1,474)	-	(229)	(5)	(9,412)	(1,839)	(12,959)
Recoveries		892	-	-	1	4,167	2,230	7,290
Provision	$	449	2,051	1,544	155	4,443	(830)	7,812
Ending Balance	$	6,483	11,884	9,412	649	6,322	931	35,681
of which: Amount of allowance for loans individually evaluated for impairment	$	79	2,156	-	-	-	-	2,235
Amount of allowance for loans collectively evaluated for impairment	$	6,404	9,728	9,413	649	6,322	931	33,446
Balance of loans individually evaluated for impairment	$	602	8,760	-	-	-	-	9,362
Balance of loans collectively evaluated for impairment	$	507,847	1,080,235	918,941	175,452	924,371	55,273	3,662,119

		2022						
		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Beginning Balance	$	4,869	6,368	2,094	276	18,575	2,124	34,306
Charge-offs		(608)	-	-	(13)	(6,896)	(1,389)	(8,906)
Recoveries		1,076	193	3	29	3,779	1,120	6,200
Provision	$	(407)	(2,650)	812	21	7,025	394	5,195
Ending Balance	$	4,930	3,911	2,909	313	22,483	2,249	36,795
of which:								
Amount of allowance for loans individually evaluated for impairment	$	141	-	-	-	-	-	141
Amount of allowance for loans collectively evaluated for impairment	$	4,789	3,911	2,909	313	22,483	2,249	36,654
Balance of loans individually evaluated for impairment	$	803	8,100	2,315	-	-	-	11,218
Balance of loans collectively	$	473,163	967,348	787,752	157,998	982,354	64,110	3,432,725

The following table presents information related to impaired loans by class of loans as of and for the year ended December 31, 2022. The details of impaired loans follow (in thousands). "Recorded investment", "Unpaid Principal Balance", and "Specific Related Allowance" are as of the year ended December 31, 2022. "Average Recorded Investment" is a four-quarter rolling average for the respective periods. "Recorded investment" includes smaller balance homogeneous loans (loans or relationship size $0.4 million or less) within the commercial, residential mortgage, home equity, and all consumer portfolio of $4.4 million at December 31, 2022. Interest Income Recognized of individually evaluated loans is inconsequential at December 31, 2022.

		2022			
With no specific allowance		**Recorded Investment**	**Unpaid Principal Balance**	**Specific Related Allowance**	**Average Recorded Investment**
Commercial and industrial	$	846	1,100	-	820
Commercial mortgage		8,440	8,973	-	7,004
Residential mortgage - first lien		5,264	5,486	-	2,602
Residential mortgage - junior lien		697	729	-	730
Subtotal		15,247	16,288	-	11,156
With specific allowance					
Commercial and industrial		409	409	141	827
Subtotal		409	409	141	827
Total	$	15,656	16,697	141	11,983
Summary by portfolio:					
Commercial	$	9,695	10,482	141	8,651
Residential		5,961	6,215	-	3,332
Total	$	15,656	16,697	141	11,983

The following tables present, as of December 31, 2023 and December 31, 2022, additional details about the loan portfolio in the form of an aging analysis. Amounts exclude deferred fees and costs (in thousands).

		2023							
		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	$	1,927	330	722	2,979	505,470	508,449	44	678
Commercial mortgages		114	-	8,826	8,940	1,080,05	1,088,995	-	8,826
Residential - first lien		1,784	106	4,465	6,355	912,586	918,941	-	4,465
Residential - junior lien		1,962	166	247	2,375	173,077	175,452	-	247
Consumer:									
Indirect		12,345	2,365	592	15,302	909,069	924,371	592	-
Other		585	119	67	771	54,502	55,273	67	-
Total	$	18,717	3,086	14,919	36,722	3,634,75	3,671,481	703	14,216

(1) Amounts include Non-Accrual loans

	2022							
	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	$ 647	149	1,255	2,051	471,915	473,966	-	1,255
Commercial mortgages	133	-	5,132	5,265	970,183	975,448	-	5,132
Residential - first lien	1,938	-	3,738	5,676	784,391	790,067	346	3,392
Residential - junior lien	577	57	712	1,346	156,652	157,998	15	697
Consumer:								
Indirect	13,162	3,335	1,604	18,101	964,253	982,354	1,604	-
Other	440	163	88	691	63,419	64,110	88	-
Total	$ 16,897	3,704	12,529	33,130	3,410,813	3,443,943	2,053	10,476

(1) Amounts include Non-Accrual loans

Loans are generally placed on nonaccrual status when contractual payments become 90 or more days past due or when the Company does not expect to receive all P&I payments owed substantially in accordance with the terms of the loan agreement, regardless of past due status. Loans that become 90 days past due, but are well secured and in the process of collection, may remain on accrual status. Nonaccrual loans are generally returned to accrual status when all payments due are brought current and the Company expects to receive all remaining P&I payments owed substantially in accordance with the terms of the loan agreement. Payments received in cash on nonaccrual loans, including both the principal and interest portions of those payments, are generally applied to reduce the carrying value of the loan. The Company did not recognize interest income on non-accrual loans during the year ended December 31, 2023.

The following table presents information relating to the Company's nonaccrual loans as of December 31, 2023 (in thousands):

	Nonperforming loans	Nonperforming loans with no allowance	90+ Days and Accruing
Commercial and industrial	$ 678	$ 403	$ 44
Commercial mortgages	8,826	2,512	-
Residential - first lien	4,465	-	-
Residential - junior lien	247	-	-
Consumer:			
Indirect	-	-	592
Other	-	-	67
Total	$ 14,216	$ 2,915	$ 703

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2023 (in thousands):

	Balance	Related Allowance
Commercial and industrial (1)	$ 602	79
Commercial mortgages (2)	8,760	2,156
Total	$ 9,362	2,235

(1) Secured by real estate and business assets. (2) Secured by commercial real estate.

In monitoring the credit quality of the portfolio, management applies a credit quality indicator to substantially all commercial loan relationships over $0.75 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 $0.75 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 table presents the risk category of loans and current period gross charge-offs as of December 31, 2023 by loan segment and vintage year (in thousands):

	Term Loans by Origination Year for Fiscal Years ended December 31,						
	2023	**2022**	**2021**	**2020**	**2019**	**Prior to 2019**	**Total**
Commercial and industrial							
Pass-Rated	$ 46,112	59,388	49,418	37,529	45,766	109,445	347,658
5-Special Mention	4,219	-	-	-	-	-	4,219
6-Substandard	-	25	51	162	24	1,283	1,545
9 and not rated	48,669	32,002	23,843	17,681	9,336	23,496	155,027
Total Commercial and Industrial	99,000	91,415	73,312	55,372	55,126	134,224	508,449
Commercial and industrial current period gross charge-offs	-	206	366	255	159	488	1,474
Commercial mortgage							
Pass-Rated	149,920	155,835	198,251	148,173	106,638	177,602	936,419
5-Special Mention	-	-	13,275	-	-	14,279	27,554
6-Substandard	-	6,315	-	-	526	6,141	12,982
9 and not rated	16,230	22,937	19,330	13,019	10,270	30,254	112,040
Total Commercial mortgage	166,150	185,087	230,856	161,192	117,434	228,276	1,088,995
Commercial Mortgage current period gross charge-offs	-	-	-	-	-	-	-
Residential mortgage - first lien							
Pass-Rated	4,850	2,791	12,968	6,387	1,314	5,429	33,739
5-Special Mention	-	-	-	-	-	434	434
6-Substandard	-	154	711	-	397	3,203	4,465
9 and not rated	192,418	223,973	139,940	108,217	63,286	152,469	880,303
Total Residential mortgage - first lien	197,268	226,918	153,619	114,604	64,997	161,535	918,941
Residential mortgage - first lien current period gross charge-offs	-	-	229	-	-	-	229
Residential mortgage – junior lien							
Pass-Rated	634	-	-	11,723	-	1,718	14,075
6-Substandard	-	-	61	58	-	127	246
9 and not rated	31,000	23,628	17,871	17,777	9,318	61,537	161,131
Total Residential mortgage - junior lien	31,634	23,628	17,932	29,558	9,318	63,382	175,452
Residential mortgage - junior lien current period gross charge-offs	-	-	-	-	-	5	5
Consumer:							
Automobile - indirect							
9 and not rated	281,609	270,447	241,003	94,935	27,297	9,080	924,371
Automobile - indirect current period gross charge-offs	312	2,775	3,705	1,800	416	404	9,412
Other							
Pass-Rated	2,384	5,562	194	1,531	263	2,541	12,475
9 and not rated	11,899	10,491	9,271	7,600	808	2,729	42,798
Total Other	14,283	16,053	9,465	9,131	1,071	5,270	55,273
Other indirect period gross charge offs	9	205	849	327	226	223	1,839
Total Loans	$ 789,944	813,548	726,187	464,792	275,243	601,767	3,671,481
Total Charge Offs	$ 321	3,186	5,149	2,382	801	1,120	12,959

The following tables present the loan portfolio as of December 31, 2022 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, 2022

		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Pass-Rated	$	328,915	864,039	45,176	2,826	-	13,445	1,254,401
5-Special Mention		109	18,800	-	-	-	-	18,909
6-Substandard		2,859	10,021	3,986	697	-	-	17,563
7-Doubtful		1	-	-	-	-	-	1
Subtotal	$	331,884	892,860	49,162	3,523	-	13,445	1,290,874
9 and not rated		142,082	82,588	740,905	154,475	982,354	50,665	2,153,069
Total	$	473,966	975,448	790,067	157,998	982,354	64,110	3,443,943

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Effective January 1, 2023, the Company adopted ASU 2022-02, which eliminated the accounting for Troubled Debt Restructurings (TDRs) while expanding loan modification and vintage disclosure requirements.

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

The following table presents (in thousands) the amortized cost basis of loans at December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the book value of each class of financing receivable is also presented below:

		Payment Delay	Term Extension	Total	Total Class of Financing Receivable	
Commercial mortgage	$	6,315	5,053	11,368	1.04	%
Residential - first lien		30	872	902	0.10	%
Consumer - indirect		-	1,208	1,208	0.13	%
Consumer - other		-	4	4	0.01	%
Total	$	6,345	7,137	13,482	1.28	%

There were no commitments to lend additional funds to borrowers experiencing financial difficulty whose terms have been restructured at December 31, 2023.

All loans to borrowers experiencing financial difficulty that have been modified during the year ended December 31, 2023 were current to their contractual payments as of December 31, 2023 with the exception of $0.6 million in consumer loans that were in the 30 to 89 days past due category.

For restructured loans, a subsequent payment default is defined in terms of delinquency, when a principal or interest payment is 90 days past due or classified into non-accrual status during the reporting period. Of the loans restructured during the year ended December 31, 2023 (since adoption of ASU 2022-02), there were no subsequent defaults as of December 31, 2023.

Troubled Debt Restructured Loans prior to the adoption of ASU 2022-02

Prior to the adoption of ASU 2022-02, the Company classified certain loans as TDRs when credit terms to a borrower in financial difficulty were modified, in accordance with ASC 310-40. With the adoption of ASU 2022-02 the Company has ceased to recognize or measure for new TDRs.

At December 31, 2022 the Company had TDRs totaling $10.5 million. The allowance for credit losses associated with these TDRs totaled $0.1 million. There were no unfunded commitments to lend additional amounts to customers with outstanding loans that were classified as TDRs at December 31, 2022. 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 on 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, 2022.

The follow table presents loans by class modified as TDRs during the twelve-month period ended December 31, 2022 (in thousands):

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential mortgage	1	$ 231	$ 231
Commercial mortgage	-	-	-
Total	1	$ 231	$ 231

Allowance for Credit Losses for Unfunded Commitments

The Company has recorded an ACL for unfunded credit commitments, which is recorded in other liabilities. The provision is recorded within the provision for credit losses on the Company's income statement. The following table presents the allowance for credit losses for unfunded commitments for the year ended December 31, 2023 (dollars in thousands):

Balance as of beginning of period	$ -
Day 1 effect of CECL	1,745
Provision for (reversal of) credit losses	
Unfunded commitments	(121)
Balance as of end of period	$ 1,624

Components of Provision for Credit Losses

The following table summarizes the provision for credit losses for the year ended December 31, 2023 (dollars in thousands):

Provision for credit losses - loans	$ 7,812
Provision for (reversal of) credit losses	
Unfunded commitments	(121)
Provision for credit losses	$ 7,691

(4) Premises and Equipment

A summary of premises and equipment at December 31, 2023 and 2022, follows (in thousands):

	2023	2022
Land and land improvements	$ 2,218	2,218
Buildings and leasehold improvements	39,707	35,675
Furniture, fixtures and equipment	28,086	26,777
Projects in process	8,586	7,467
	78,597	72,137
Less accumulated depreciation	52,185	49,691
Premises and equipment - net	$ 26,412	22,446

Depreciation expense amounted to $2.8 million and $2.7 million for of the years ended December 31, 2023 and 2022, respectively.

(5) Goodwill and Intangibles Assets

At December 31, 2023, 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 exceeded the carrying value, resulting in no impairment.

(6) Time Deposits

At December 31, 2023 the scheduled maturity of time deposits was as follows (in thousands):

2024	$ 925,849
2025	48,723
2026	7,666
	$ 982,238

Time deposits of $250,000 or more amounted to $447.1 million at December 31, 2023, and $359.2 million at December 31, 2022.

(7) Borrowings

Overnight borrowings from the Federal Reserve Bank of New York discount window amounted to $10.8 million, carrying an interest rate of 5.5%, for the year ended December 31, 2023. Overnight borrowings from the Federal Reserve Bank of New York discount window amounted to $128.2 million, carrying an interest rate of 4.5%, for the year ended December 31, 2022. Short term borrowings from the Federal Reserve Bank of New York through the Bank Term Funding Program (BTFP), which was introduced by the Federal Reserve Board in 2023, amounted to $200 million carrying an interest rate of 4.89% for the year ended December 31, 2023.

Borrowings from the Federal Home Loan Bank of New York amounted to $600.0 million and $400.0 million for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, there were no overnight borrowings from the Federal Home Loan Bank.

The following tables summarize the Federal Home Loan Bank of New York term borrowings as of December 31, 2023 and 2022:

December 31, 2023
(in thousands)

Type	Maturity Date	Interest Rate	Amount
Term	February 6, 2024	2.67%	$ 50,000
Term	February 6, 2025	1.82%	50,000
Term	November 13, 2025	4.39%	100,000
Term	May 13, 2026	4.33%	100,000
Term	August 10, 2026	3.39%	50,000
Term	November 13, 2026	4.22%	50,000
Term	April 13, 2027	4.23%	50,000
Term	August 10, 2027	3.27%	100,000
Term	December 20, 2027	4.14%	50,000
			$ 600,000

December 31, 2022
(in thousands)

Type	Maturity Date	Interest Rate	Amount
Term	February 7, 2023	1.27%	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
Term	August 10, 2026	3.39%	50,000
Term	August 10, 2027	3.27%	100,000
Term	December 20, 2027	4.14%	50,000
			$ 400,000

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, 2023 (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	$ 600,000	$ 322,683	Residential mortgages	$ 595,958
			Commercial mortgages	$ 391,486
			Securities	$ 227,348
			FHLB stock	$ 30,149
Federal Reserve Bank	$ 210,800	$ 1,421,826	Indirect automobile loans	$ 574,024
			Commercial loans	$ 641,555
			Securities	$ 206,247

(8) Junior Subordinated Debentures and Interest Rate Swap Agreements

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 were issued at a floating rate of 3-month libor plus a margin of 1.40%. In 2023, the margin was converted to the secured overnight financing rate (SOFR) plus a spread adjustment of .26%, plus a margin of 1.40%, adjustable quarterly (7.05% at December 31, 2023). The debentures final maturity is June, 2036, and became callable, in whole or in part, at par after June 2012 at the Company's option, and subject to Federal Reserve Bank of New York approval. Interest is paid quarterly. Interest payments can be deferred for up to five years, but would restrict the Company's ability to pay dividends. At December 31, 2023, these debentures were considered Tier 1 Capital for regulatory purposes.

In September, 2007, the Company issued $20.6 million of unsecured, 30-year floating rate junior subordinated deferrable interest debentures (T3) through a wholly owned business trust. The terms of the debenture are similar to T2, except that the margin is 1.44%, adjustable quarterly (7.09% at December 31, 2023) and final maturity is December, 2037.

In 2011, the Company became exposed to interest rate risk as a result of the timing of changes in interest rates associated with these debentures. In consideration of the end of the fixed-rate period, the Company entered into interest rate swap agreements, which became effective in June of 2011 and December of 2012. Both of these swaps have expired and were not subsequently renewed.

(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):

	2023	2022
Current:		
Federal	$ 9,174	13,701
State	1,410	3,638
	10,584	17,339
Deferred:		
Federal	2,409	(1,050)
State	1,053	(502)
	3,462	(1,552)
	$ 14,046	15,787

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):

	2023	2022
Tax expense at statutory rate of 21%	$ 12,346	13,367
Tax-exempt interest	(307)	(403)
Interest expense disallowance	55	20
State taxes, net of Federal benefit	1,946	2,478
Stock options	(79)	(79)
Nondeductible operating expenses	25	33
Change in valuation allowance for deferred tax assets	(2)	(2)
Other	62	373
Total	$ 14,046	15,787
Effective tax rate	23.9%	24.8%

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):

	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 9,495	9,524
Incentive stock and retirement plans	1,912	5,363
Depreciation	382	363
Non-controlling interest	47	-
Unrealized loss on available-for-sale securities	10,891	14,793
Net operating loss carryforwards	418	474
Right of use liability	6,747	6,505
Other	699	757
Deferred tax assets before allowance	30,591	37,779
Valuation allowance	(42)	(44)
Deferred tax assets	30,549	37,735
Deferred tax liabilities:		
Deferred tax assets		
Loan servicing rights	672	755
Intangible assets, net	2,245	2,269
Prepaid expenses	1,934	1,457
Deferred gain on sale of investments	2,800	2,847
Right of use asset	6,485	6,301
Non-controlling interest	-	14
Deferred tax liabilities	14,136	13,643
Net deferred tax asset	$ 16,413	24,092

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 $1.9 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 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 2023 and 2022, for any unrecognized tax benefits. The Company is not subject to U.S. Federal tax examinations or state tax examinations for years before 2017.

(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, 2023, approximately $83.8 million was available for dividends to the Company without the approval of the OCC. Payment of dividends by the Company's non-bank trust subsidiaries are also restricted by the OCC, its regulator. No dividends are available for payment by these companies without regulatory approval.

In 2023, the Company paid a $4.50 per share dividend on common stock to shareholders on February 3, 2023 and a $4.50 per share dividend on common stock to shareholders on August 4, 2023. In 2022, the Company paid a $4.20 per share dividend on common stock to shareholders on February 4, 2022 and a $4.50 per share dividend on common stock to shareholders on August 5, 2022.

(11) Earnings Per Share

Basic and diluted earnings per share for the years ended December 31, 2023 and 2022, were computed as follows (in thousands, except share and per-share data):

		2023	2022
Basic Earnings Per Share:			
Net income applicable to Canandaigua National Corporation	$	44,731	47,854
Weighted average common shares outstanding		1,864,430	1,875,529
Basic earnings per share	$	23.99	25.51
Diluted Earnings Per Share:			
Net income applicable to Canandaigua National Corporation	$	44,731	47,854
Weighted average common shares outstanding		1,864,430	1,875,529
Effect of assumed exercise of stock options		8,593	9,862
Total		1,873,023	1,885,391
Diluted earnings per share	$	23.88	25.38

(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 $4.4 million, and $4.3 million, for the years ended December 31, 2023 and 2022, 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, for both years ended December 31, 2023 and 2022, 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, 2023 and 2022 the ESOP held 29,560 and 29,568 shares, respectively, of which all are allocated to participants, with an estimated fair value, at the respective dates, of $7.3 million and $10.4 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 $2.0 million at both December 31, 2023 and 2022 for these SERPs. Expenses of these SERP's amounted to $.04 million and $0.1 million for years ended 2023 and 2022, respectively.

(13) Stock-Based Compensation

The Company has granted stock options and Stock Appreciation Rights (SARs) for executives, which are described below. Amounts recognized in the Consolidated Financial Statements with respect to these grants are as follows (in thousands):

	2023	2022
Stock options	$ -	-
Stock appreciation rights	(9,019)	7,805
Pre-tax cost of stock-based compensation included in salaries and employee benefits expenses	$ (9,019)	7,805
Amount of related income tax benefit recognized in net income	$ 2,345	(2,029)

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, 2023:

	# Shares Subject to Options	Weighted Average Exercise Price
Options outstanding at beginning of the year	11,884	$ 55.91
Granted	-	$ -
Exercised	1,217	$ 42.97
Expired	-	$ -
Forfeited	-	$ -
Options outstanding at year end	10,667	$ 57.39
Options exercisable at year end	10,667	$ 57.39
Options available for future grants	none	

At December 31, 2023, the intrinsic value of outstanding options, all of which were vested, was approximately $2 million. The intrinsic value of options exercised during both years ended December 31, 2023 and 2022 was $0.4 million. No options were forfeited in 2023 or 2022.

Options outstanding at December 31, 2023, had exercise prices ranging from $42.97 to $73.46. The weighted average expected life of the options is less than 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

The number of SARs 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 (SARs granted from 2021-2023 may only receive payment in cash), 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. Medium-term SARs are exercisable five years from the date of grant. 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, 2023.

	Long-term SARs			Medium-term SARs		
	# Rights		Weighted Average Grant Price	# Rights		Weighted Average Grant Price
Rights outstanding at January 1, 2023	76,960	$	190.31	67,205	$	180.43
Granted	3,870	$	351.25	2,581	$	351.25
Exercised	15,606	$	143.87	8,853	$	110.53
Forfeited	-	$	-	-	$	-
Expired	-	$	-	-	$	-
Rights outstanding at December 31, 2023	65,224	$	196.84	60,933	$	203.46
Rights exercisable at December 31, 2023	19,690	$	184.23	27,654	$	189.81

In February 2023, certain executives were awarded a total of 3,870 long-term SARs and 2,581 medium-term SARs, all at a grant price of $351.25 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 2023, 15,606 long-term SARs were exercised with a fair value of $2,570,000, and 8,853 medium-term SARs were exercised with a fair value of $1,651,000. The Company settled 8,003 long-term SARs and 7,140 medium-term SARs in Company's stock. This resulted in issuance of 1,068 shares of Company's stock during the year ended December 31, 2023. During 2022, 8,768 long-term SARs were exercised with a fair value of $1,259,000, and 6,163 medium-term SARs were exercised with a fair value of $897,000. The Company settled 4,789 long-term SARs and 4,900 medium-term SARs in Company's stock. This resulted in issuance of 2,398 shares of Company's stock during the year ended December 31, 2022. The fair value of awards vested during years ended December 31, 2023 and 2022, amounted to $2,326,000 and $1,843,000, respectively. No SARs were forfeited in 2023 or 2022. At December 31, 2023 the intrinsic value of exercisable long term SARs and medium term SARs were $1,235,000 and $1,579,000 respectively.

The weighted average estimated per-right fair values, as of December 31, 2023 and 2022, 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.

	2023		2022	
Right Type	LTS	MTS	LTS	MTS
Per-right fair value	$53.11	$48.87	$153.67	$161.85
Expected dividend yield	3.15%	3.15%	2.58%	2.58%
Risk-free interest rate	3.84%	3.84%	4.05%	4.05%
Expected Life	4.9 years	4.9 years	4.7 years	4.7 years
Volatility	12.44%	12.44%	14.05%	14.05%

Long-term SAR's outstanding and medium-term SARs outstanding (both exercisable and unexercisable) at December 31, 2023, had exercise prices ranging from $78.98 to $351.25. 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 the balance sheet 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 $2.7 million, which is expected to be recognized over a weighted average period of five years. The Company had accrued a liability of $5.5 million and $18.7 million at December 31, 2023 and 2022, 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 2024 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.

In April 2023, the Company purchased two banking office buildings, terminating the leases.

Supplemental balance sheet information related to the Company's leases as of December 31, 2023 and 2022 are as follows (in thousands):

		2023	2022
Operating lease ROU assets, net of accumulated amortization	$	25,479	26,244
Operating lease liabilities		26,507	27,034
Weighted average remaining lease term (in years)		9	10
Weighted average discount rate		2.62%	2.38%

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

December 31,		2023	2022
Fixed payment operating lease expense	$	3,675	3,836
Variable payment operating lease expense		1	1
Short-term lease expense		8	7

Supplemental cash flow information related to the Company's leases as of December 31, 2023 and 2022 are as follows (in thousands):

		2023	2022
Cash paid for amounts included in the measurement of lease liabilities	$	3,433	3,499
Amortization of ROU assets		2,945	3,198
ROU assets obtained in exchange for new operating lease liabilities		-	1,901

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

Years ending December 31,		Amount
2024	$	3,587
2025		3,405
2026		3,329
2027		3,232
2028		2,921
2029 and after		13,280
Total future lease payments		29,754
Less: imputed interest		3,247
Total operating lease liabilities	$	26,507

(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, 2023 and December 31, 2022. Most of these commitments are not included in the Company's Consolidated Balance Sheets (in thousands).

	2023		2022	
	Notional Amount	Carrying Amount	Notional Amount	Carrying Amount
Commitments to extend credit:				
Commercial lines of credit	$ 366,925	-	325,595	-
Commercial real estate and construction	70,813	-	95,941	-
Residential real estate at fixed rates	6,354	-	7,560	-
Home equity lines of credit	519,370	-	456,613	-
Unsecured personal lines of credit	25,745	-	26,290	-
Standby and commercial letters of credit	7,963	(119)	6,276	(94)
Commitments to sell real estate loans	4,182	-	1,640	-

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, 2023 and December 31, 2022.

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. At December 31, 2023, 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, 2023, 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, 2023, 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, 2023, 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 2023 and 2022, 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, 2023					
	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 average assets:						
Company	$ 421,795	8.61%	$ 195,943	4.00%	N/A	N/A
Bank	$ 403,187	8.26%	$ 195,328	4.00%	$ 244,160	5.00%
As percent of risk-weighted, period-end assets						
Core capital (Common Equity Tier 1)						
Company	$ 370,248	10.10%	$ 256,621	7.00%	N/A	N/A
Bank	$ 403,187	11.03%	$ 255,986	7.00%	$ 237,701	6.50%
Core capital (Tier 1)						
Company	$ 421,795	11.51%	$ 311,611	8.50%	N/A	N/A
Bank	$ 403,187	11.03%	$ 310,840	8.50%	$ 292,555	8.00%
Total capital (Tiers 1 and 2)						
Company	$ 459,100	12.52%	$ 384,932	10.50%	N/A	N/A
Bank	$ 440,492	12.05%	$ 383,979	10.50%	$ 365,694	10.00%

	Regulatory Capital as of December 31, 2022					
	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 average assets:						
Company	$ 397,546	8.48%	$ 187,421	4.00%	N/A	N/A
Bank	$ 377,493	8.08%	$ 186,764	4.00%	$ 233,455	5.00%
As percent of risk-weighted, period-end assets						
Core capital (Common Equity Tier 1)						
Company	$ 345,999	10.08%	$ 240,285	7.00%	N/A	N/A
Bank	$ 377,493	11.00%	$ 240,142	7.00%	$ 222,989	6.50%
Core capital (Tier 1)						
Company	$ 397,546	11.58%	$ 291,774	8.50%	N/A	N/A
Bank	$ 377,493	11.00%	$ 291,601	8.50%	$ 274,448	8.00%
Total capital (Tiers 1 and 2)						
Company	$ 434,341	12.65%	$ 360,427	10.50%	N/A	N/A
Bank	$ 414,288	12.08%	$ 360,213	10.50%	$ 343,060	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, 2023 and December 31, 2022 are as follows (in thousands):

			2023		2022	
Financial Assets:	**Fair Value Hierarchy**		**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and equivalents	1	$	54,050	54,050	62,328	62,328
Equity securities	1		7,780	7,780	7,673	7,673
Debt securities, available-for-sale	1, 2		504,642	504,642	543,563	543,563
Debt securities, held-to-maturity	2		478,997	416,604	526,830	454,532
FHLB stock and Federal Reserve Bank stock	N/A		31,904	N/A	22,318	N/A
Loans held for sale	2		4,182	4,265	1,640	1,655
Loans-net	3		3,665,963	3,535,824	3,440,716	3,269,961
Financial Liabilities:						
Deposits:						
Demand, savings and money market accounts	1	$	2,604,740	2,604,740	3,002,998	3,002,998
Time deposits	2		982,238	982,955	759,070	762,099
Borrowings	2		810,800	798,753	528,200	503,474
Junior subordinated debentures	2		51,547	51,096	51,547	51,186
Other financial instruments:						
Letters of credit	2	$	119	119	94	94

(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, 2023 and December 31, 2022 by caption on the Consolidated Balance Sheet (dollars in thousands).

	2023			
	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	$ 7,356	-	-	7,356
U.S. government sponsored enterprise obligations	-	395,645	-	395,645
State and municipal obligation	-	96,661	-	96,661
Equity securities	7,780	-	-	7,780
Corporate obligations	-	4,980	-	4,980
Interest rate swap agreements - non-designated	-	21,500	-	21,500
Total assets	$ 15,136	518,786	-	533,922
Liabilities				
Interest rate swap agreements - non-designated	-	21,500	-	21,500
Letters of credit	$ -	119	-	119
Total liabilities	$ -	21,619	-	21,619
Measured on a non-recurring basis:				
Assets				
Loans				
Individually analyzed collateral dependent loans	$ -	-	4,354	4,354
Other assets				
Other real estate owned	-	-	221	221
Total assets	$ -	-	4,575	4,575

	2022			
	Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable 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	$ 7,193	-	-	7,193
U.S. government sponsored enterprise obligations	-	389,519	-	389,519
State and municipal obligation	-	141,391	-	141,391
Equity securities	7,673	-	-	7,673
Corporate obligations	-	5,460	-	5,460
Interest rate swap agreements - non-designated	-	25,007	-	25,007
Total assets	$ 14,866	561,377	-	576,243
Liabilities				
Interest rate swap agreements - non-designated	-	25,007	-	25,007
Letters of credit	-	94	-	94
Total liabilities	$ -	25,101	-	25,101
Measured on a non-recurring basis:				
Assets				
Collateral dependent impaired loans	$ -	-	268	268
Other assets				
Other real estate owned	-	-	90	90
Total assets	$ -	-	358	358

Individually Analyzed Loans and Other Real Estate

The Company values individually analyzed loans and other real estate owned at the time the loan is identified as individually analyzed 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 individually analyzed 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, 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 3-month CME Term SOFR 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, 2023 and 2022, respectively (in thousands):

	2023	2022
Non-interest income:		
Service charges on deposit accounts	$ 20,051	$ 20,212
Trust and Investment Services	25,629	25,768
Net gain on sales of mortgage loans(a)	201	1,661
Loan servicing, net(a)	1,378	1,400
Loan-related fees(a)	315	377
Loss of securities transactions, net(a)	(1)	(20)
Other non-interest income(b)	3,272	1,336
Total non-interest income	$ 50,845	$ 50,734

(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 2023 and 2022 were $1.5 million and $1.4 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)

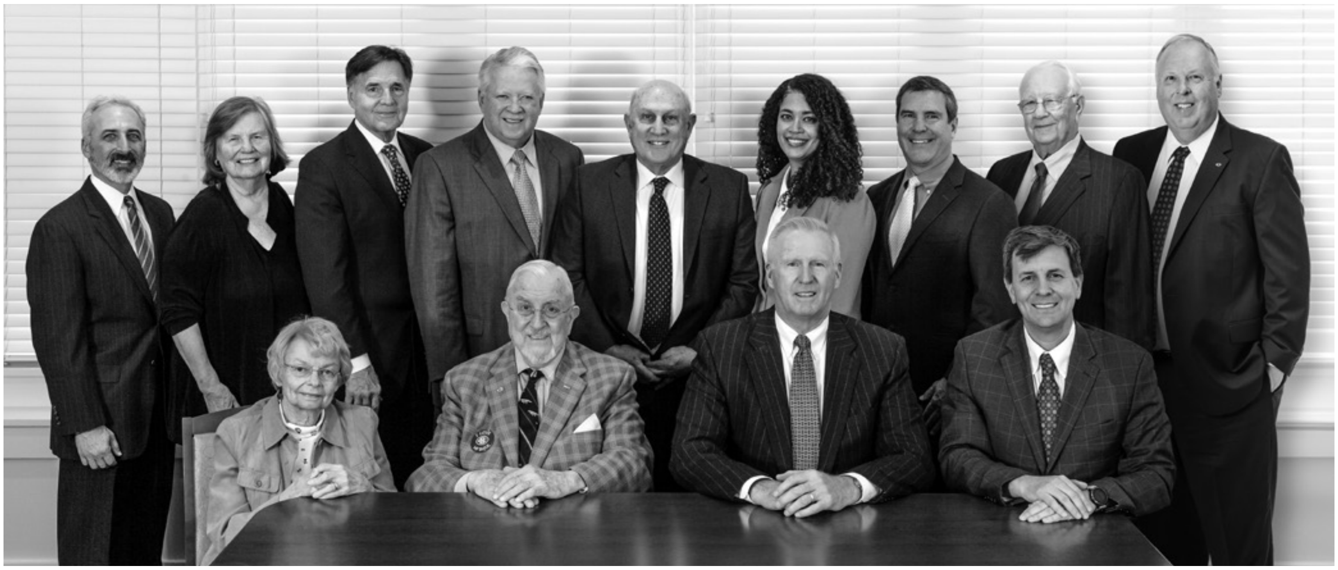
Trust and investment services (Wealth Management) charges customers a fee based upon an agreed percentage of assets under management, based on market value. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized on a monthly or quarterly basis. Wealth 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.



Standing: *Lawrence A. Heilbronner-Kolthoff, Sue S. Stewart, James H. Watters, Robert G. Sheridan, Daniel P. Fuller, Erika J. Duthiers, Richard J. Plympton, Thomas S. Richards, Gary L. Babbitt* ***Sitting:*** *Caroline C. Shipley, George W. Hamlin, IV, Michael C. Goonan, Frank H. Hamlin, III*

Gary L. Babbitt

Canandaigua National Corporation, Director, 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
CNB Mortgage Company**
Director, Secretary, and Executive Vice President, March 21, 2018-December 31, 2019
Director, Empire State Certified Development Company, 2011-2019
Finance Committee Member, ARC of Monroe County, 1992-2018

Erika J. Duthiers, Esq.

Canandaigua National Corporation
Director, December 21, 2022-present
The Canandaigua National Bank & Trust Company*
Director, December 21, 2022-present
Associate Vice President of Compliance and Ethics and Deputy General Counsel, Rochester Institute of Technology, 2009-present
Trustee, The Strong National Museum of Play, 2016-present
Trustee, Monroe County Bar Association, 2017-2020
Trustee, Young Women's College Prep Charter School of Rochester, 2010-2018

Daniel P. Fuller

Canandaigua National Corporation
Vice Chairman of the Board, January 1, 2011-present
Director, 1996-present
Chairman of the Board, 2008-2010
The Canandaigua National Bank & Trust Company*
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 Waterpark, 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

Michael C. Goonan

Canandaigua National Corporation
Chairman of the Board, July 19, 2023-present
Director, 2015-present
The Canandaigua National Bank & Trust Company*
Chairman of the Board, July 19, 2023-present
Director, 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 Emeritus, St. John Fisher College
Honorary Member, Board of Directors, Catholic Family Center
Director, Pluta Cancer Center Foundation
Parish Council Member, Church of the Transfiguration

Board of Directors, cont.

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
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, New York Banker's Association, 2013-present
Director, UR Thompson Health System, 2013-present
Director, Family Counseling Service of the Finger Lakes, 2022-present
Director and President, Canandaigua Area Development Corporation, 2023-present
Manager and CEO, WBI OBS Financial, LLC, 2011-February 29, 2020
Director, OBS Holdings, Inc., 2011-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-July 19, 2023
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-July 19, 2023
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-July 13, 2023
Director and President, Canandaigua Area Development Corporation, 2011-2023
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
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
CNB Mortgage Company**
Director, Treasurer, Executive Vice President, and CFO, 2002-December 31, 2018
CNB Insurance Agency**
Director, April 9, 2012-April 24, 2019
Director, Treasurer, Executive Vice President, and CFO, 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

Board of Directors, cont.

Richard J. Plympton
Canandaigua National Corporation
Director, April 29, 2020-present
The Canandaigua National Bank & Trust Company*
Director, 2015-present
Optimax Systems, Inc.
CEO, January 2013-present
CEO and Vice President of Sales, 1999-2013
Quality Control Manager, 1995-1999
Interim Chairman, Finger Lakes Advanced Manufacturers' Enterprise
Director and Treasurer, ANSI Optics and Electro-Optics Standards Council
Director, The Optica Foundation
Director and Treasurer, Quantum Loop Solutions
Executive Committee Member, Business Leaders United
Council Member, Rochester Philanthropy University of Rochester
Past Chairman, Finger Lakes Workforce Investment Board

Thomas S. Richards, JD
Canandaigua National Corporation
Director, 2004-2010 and January 15, 2014-present
The Canandaigua National Bank & Trust Company*
Director, 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, 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
Canandaigua National Corporation
Director, 1984-present
The Canandaigua National Bank & Trust Company*
Director, 1984-present
Treasurer and Council Member,
First Congregational Church, 1993-2022
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
Canandaigua National Corporation
Director, 2000-present
The Canandaigua National Bank & Trust Company*
Director, 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

James H. Watters, PhD
Canandaigua National Corporation
Director, November 13, 2019-present
The Canandaigua National Bank & Trust Company*
Director, 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, Vnomics Corp., 2014-present
Director, Greater Rochester Health Foundation, 2009-2019

Emeritus Board Members

James S. Fralick
Alan J. Stone

* 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–Chief Financial Officer
Jennifer N. Weidner, Esq., Senior Vice President–General Counsel and Corporate Secretary
Dawn C. Priolo, Senior Vice President–Treasurer
Mark Buonaugurio, Senior Vice President–Senior Wealth Advisor
Maria E. Caton, CFP®, ChSNC®, AAMS®, Senior Vice President–Manager of Financial Planning Services
Jillian E. Dart, Esq., CTFA, Senior Vice President–Senior Trust Officer and Group Manager
Suzanne Ellin, Esq., CPA, CGMA, CTFA, CFP®, Senior Vice President–Trust Officer
Amy K. Boyd Ertel, Esq., CTFA, Senior Vice President–Senior Trust Officer and Team Leader
Jason W. Fitzgerald, CFP®, Senior Vice President–Senior Wealth Advisor and Team Leader
Laurie A. Haelen, AIF®, Senior Vice President–Director of Wealth Solutions
Stephen C. Krauss, CFA®, Senior Vice President–Senior Wealth Advisor
Adam R. Leszyk, CFP®, Senior Vice President–Senior Wealth Advisor and Team Leader
James F. Lieb, CTFA, Senior Vice President–Senior Trust Officer
Stephen R. Livingston, CFIRS, Senior Vice President–Chief Compliance Officer
Rita Nischal, Esq., Senior Vice President–Corporate Counsel
Tamra A.B. O'Donnell, Senior Vice President–Director of Corporate Marketing
Joy Ryen Plotnik, Esq., Senior Vice President–Senior Trust Officer
Kurt E. Rosen, Senior Vice President–Wealth Business Manager
Louis B. Rossetti, Senior Vice President–Senior Trust Officer
Stephen A. Rossi, CFA®, CFP®, ChFC®, Senior Vice President–Senior Equity Strategist
Ginny Ryan, Senior Vice President–Director of Community Engagement
Paul S. Tarantino, Senior Vice President–Senior Wealth Consultant
Scott B. Trumbower, Senior Vice President–Director of Shareholder Relations
Nancy E. Bowes, CFP®, Vice President–Wealth Advisor
Angela Webster Carlson, Vice President–Wealth Advisor
Donna Cator, CFP®, CDFA, Vice President–Wealth Advisor
Ramona Green, CTFA, Vice President–Trust Officer
David P. Guzzetta, AFIM, CFMC®, Vice President–Wealth Advisor
Charlene S. Johnson, CPC, QPA, QKA, QPFC, TGPC, ERPA, Vice President–Retirement Services Officer
Deana M. King, Vice President–Fiduciary Compliance Manager
Mark S. Mazzochetti, CISP, Vice President–Retirement Services Officer
Lindsay A. Morrow, Vice President–Corporate Events Manager
Andrew W. Murray, Vice President–Wealth Advisor
Greg Pilato, CRPS®, Vice President–Wealth Advisor
Kevin Rankin, Vice President–Senior Wealth Advisor and Team Lead
Michael D. Schiller, CFP®, Vice President–Wealth Advisor
Linda J. Shannon, CAMS, CFE, Vice President–BSA/AML Compliance Officer
Matthew P. Sorce, CFP®, Vice President–Wealth Advisor
M. Beth Uhlen, CPA, Vice President–Wealth Operations Manager
Megan F. Barkley, Esq., Assistant Vice President–Trust Officer
Phillip W. Brown, JD, Assistant Vice President–Trust Officer
Erica B. Guilfoyle, Assistant Vice President–Fiduciary Compliance Officer
Catherine M. Burnett, Bank Officer–Wealth Operations Assistant Manager

CNTF Board of Directors

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

CNB Insurance Agency Directors & Officers

David W. Gibbons, Director, Chairman of the Board, and Senior Vice President
Salvatore (Sam) Guerrieri, Jr., Director and Executive Vice President
Frank H. Hamlin, III, JD, Director, President, and Chief Executive Officer
Rita Nischal, Esq., Director, Senior Vice President and 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
Kurt E. Rosen, Senior Vice President–Operations Manager
Jerry W. Lack, CLTC®, ChFC®, Vice President–Wealth Insurance Advisor

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

Salvatore (Sam) Guerrieri, Jr., Director and Executive Vice President
Frank H. Hamlin, III, JD, Director and Chief Executive Officer
George W. Hamlin, IV, JD, Director
Brian E. Pasley, Director, Chairman of the Board
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
Kelly R. Crane, Vice President–Mortgage Compliance Officer
Kelly Masline, Vice President–Mortgage Loan Underwriter Supervisor
Michael Woodworth, Assistant Vice President–Mortgage Loan Processing Supervisor and Underwriter

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–Chief Financial Officer and Treasurer
Jennifer N. Weidner, Esq., Secretary, Senior Vice President–General Counsel

Canandaigua National Bank & Trust Officers
Office of the President
Frank H. Hamlin, III, JD, President and Chief Executive Officer
Rita Nischal, Esq., Senior Vice President–Corporate Counsel
Devin L. Palmer, Esq., Senior Vice President–Corporate Counsel
Jennifer N. Weidner, Esq., Senior Vice President–General Counsel

Audit
Michelle A. LaMachia, CFSA®, CFIRSTM®, Senior Vice President–Chief Auditor
Steven N. Branca, CPA, CMA, Vice President–Audit Manager
Elizabeth (Libby) Roberts, Assistant Vice President–Assistant Audit Manager
Scott Scarcelli, Bank Officer–Audit Team Lead

Business Banking
Susan C. DiProjetto, Senior Vice President–Business Banking Sales Manager
Paul E. Hohensee, Vice President–Business Banking Officer
Terry M. Kelley Jr., Vice President–Business Banking Officer
Michael D. O'Donnell, Vice President–Business Banking Officer
John G. Savino, Vice President–Business Banking Officer
James D. Schrader, Vice President–Business Banking Officer
Alyssa M. Serinis, Vice President–Business Banking Officer
Chad Zimmerman, Bank Officer–Business Banking Officer

Commercial Services
Charles J. Vita, Executive Vice President–Chief Lending Officer
Mary Kay Bashaw, Senior Vice President–Government Banking
Bethany L. Arnold, Vice President–Cash Management Manager
Lindsay R. Tiballi, Vice President–Senior Commercial Operations Manager
Tracie G. Evans, Assistant Vice President–Cash Management Technical Supervisor
Andrea V. O'Sullivan, Assistant Vice President–Government Banking Business Development Representative

Jeffrey W. Barker, Senior Vice President–Group Manager, Business Banking and Resource Recovery
Kevin M. Galka, Vice President–Business Banking Portfolio Manager and Underwriter
Ann M. Lyon, Vice President–Resource Recovery Manager
Joshua R. Maxwell, Assistant Vice President–Business Banking Portfolio Manager and Underwriter
Paula M. Ellis, Bank Officer–Resource Recovery Assistant Manager
Dillon Maxwell, Bank Officer–Business Banking Portfolio Manager and Underwriter
Marc J. Ferenchak, Bank Officer–Resource Recovery Portfolio Administrator
Brenda S. Whitney, Bank Officer–Resource Recovery Advisor

Michael S. Mallaber, Senior Vice President–Director of Commercial Services
Brendon S. Crossing, Senior Vice President–Group Manager, Commercial Services
Kevin A. DiGiacomo, Senior Vice President–Group Manager, Commercial Services
Jason P. Tonkery, Senior Vice President–Group Manager, Commercial Services
Kyle P. Ackart, Vice President–Commercial Services Officer
Alexander J. Broccuto, II, Vice President–Commercial Services Officer
Jason A. DeWitt, Vice President–Commercial Services Officer
Paul M. Gatto, Vice President–Commercial Services Officer
Gregory L. Helmer, Vice President–Commercial Services Officer
Timothy R. Johnson, Vice President–Commercial Services Officer
Eric W. Koehler, Vice President–Commercial Services Officer
Lindsay M. Mohr, Vice President–Commercial Services Officer

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

Consumer Lending
Kathy C. Amberge, Senior Vice President–Group Manager, Consumer Lending
Lori R. Ellis, Vice President–Consumer Loan Underwriter
Cheryl A. Hurd, Vice President–Senior Consumer Underwriter
Steven P. O'Neil, Vice President–Indirect Lending Manager
Kathleen E. Roos, Assistant Vice President–Consumer Lending Operations Manager

Corporate Risk
A. Rosamond Zatyko, Executive Vice President–Chief Administrative Officer
Linda M. Schnitzler, CRP®, CFE, CFSA®, Senior Vice President–Chief Risk Officer
Todd M. Billcliff, CFE, Vice President–Director of Corporate Risk
Linda J. Shannon, CAMS, CFE, Vice President–BSA/AML Compliance Officer
Christopher Evans, Assistant Vice President–Enterprise and Model Risk Officer
Ryan Kaiser, CFE, Assistant Vice President–Fraud Risk Manager
Samantha S. Hudson, CBAP, CAMS, CFE, Bank Officer–Assistant BSA/AML Compliance Officer
Gina C. Jacques, CFE, CAMS, Bank Officer–Assistant Fraud Risk Manager
Tina L. Jones, CAMS, Bank Officer–Electronic Banking Risk Officer

Officers, cont.

Credit Risk
Charleen H. Cordaro, Senior Vice President–Chief Credit Risk Officer
Julie A. Gunkler, Vice President–Senior Portfolio Credit Risk Manager
Jodi L. Houlihan, Vice President–Credit Review Manager
Sarah E. Housel, Vice President– Credit Review Manager
Thomas M. Rogers, Vice President–Risk Rating Model Manager/Senior Commercial Loan Reviewer
Susan E. Davis, Assistant Vice President–Collateral Control Manager
Joan M. Grambo, Assistant Vice President–Appraisal Review Program Manager
Michael J. Martin, Assistant Vice President–Credit Review Manager
Sheryl E. Pelow, Assistant Vice President–Credit Risk Operations Manager
Howard E. Allen, Bank Officer–Credit Analyst
Jason Cornwell, Bank Officer–Credit Analyst
Jason Natale, Bank Officer–Credit Analyst
Kristina S. Plants, Bank Officer–Credit Analyst
Lindsay M. Rinaldo, Bank Officer–Credit Analyst
Kevin H. Roat, Bank Officer–Credit Analyst

Finance and Operations
Vincent K. Yacuzzo, Executive Vice President–Chief Financial Officer
Thomas G. Gorsky, Senior Vice President–Director of Finance
Dana I. Mayeu, Senior Vice President–Controller
Dawn C. Priolo, Senior Vice President–Treasurer
Barbara A. Wagner, Senior Vice President–Director of Operations
Jason A. Ingalls, CCBSO, Vice President–Facilities and Physical Security Manager
Heather N. Sullivan, Vice President–Shareholder Relations Manager
Kathryn E. Applegate, Assistant Vice President–Assistant Controller
Jeffrey A. Holman, Assistant Vice President–Loan Operations Manager
Rebecca A. Long, Assistant Vice President–Bank Operations Manager
Jeffrey M. Ashline, Bank Officer–Facilities Project Manager & Architectural Designer
Joseph A. Hernandez, Bank Officer–Physical Security Officer
Eva M. Lynd Jones, Bank Officer–Loan Operations Supervisor
Shannon L. Nemitz, Bank Officer–Bank Operations Specialist
Lisa Newton, Bank Officer–Bank Operations Supervisor
Sean Quinlan, Bank Officer–Facilities Supervisor

Human Resources
Michelle L. Pedzich, SHRM-SCP, Senior Vice President–Chief Human Resources Officer
Kathleen L. O’Loughlin, Vice President–Total Rewards Manager
Christine M. Whitfield, SHRM-CP, Vice President–Manager of Talent & Development
Sarah M. Ridder, SHRM-CP, Bank Officer–Senior Human Resources Business Partner
Lauren A. Sebring, Bank Officer–Senior Human Resources Business Partner

Information Security
Deborah A. Cragg, GSTRT, CRISC®, CDPSE™, CISM®, CISSP®, CRVPM® V, C-VMPRA, PMP®, ITIL® v3, Senior Vice President–Chief Information Security Officer
John B. Folkerts, CISSP®, Vice President–Information Security Manager
Jennifer R. Calhoun, CRVPM® III, Bank Officer–Third Party Risk Program Manager
Ryan P. Connolly, CRISC®, CySA+, Bank Officer–Lead Information Security Analyst
Greig W. Holman, CRVPM® IV, CBCP, Bank Officer–Business Continuity Program Manager

Information Technology
Annette Joyce, Executive Vice President–Chief Technology Officer
Michael A. Mandrino, Senior Vice President–Senior Technology Advisor
J. Brian Nolan, Senior Vice President–IT Director, Business Applications and Development
Sandra U. Roberts, Senior Vice President–Chief Information Officer
Andrew J. Shafer, Senior Vice President–IT Director, Infrastructure and Security
Todd M. Mihaly, Vice President–IT Director, IT Support Services
Anna M. Yee, Vice President–IT Director, Business Analysis & Compliance
Donald A. Barkley, Bank Officer–IT Manager, Core Banking Applications
Gabriel W. Del Vecchio, Bank Officer–IT Manager, Business Intelligence
Robert J. Gardner, Bank Officer–IT Manager, Infrastructure
David G. Garner, Bank Officer–IT Manager, Desktop Support
Joseph S. Legan, Bank Officer–IT Support Manager
Matthew Y. O’Hara, Bank Officer–IT Manager, Salesforce Platform
Chris Shopp, Bank Officer–IT Manager, Cyber Security
David M. Spina, Bank Officer–IT Manager, Application Development
Michael B. Whipple, Bank Officer–IT Manager, Business Analyst

Marketing & Corporate Communications
Tamra A. B. O’Donnell, Senior Vice President–Director of Corporate Marketing
Ginny A. Ryan, Senior Vice President–Director of Community Engagement
Peter Horvath, Vice President–Market Research and Insights Manager
Lindsay A. Morrow, Vice President–Corporate Events Manager
Denise E. Cheatle, Assistant Vice President–Field Marketing Manager
Kelly M. Sheridan, Assistant Vice President–Digital Marketing Manager
Brian E. Pasley, Bank Officer–Community Reinvestment Act (CRA) Officer

Product Management
Anna M. Andrews, Senior Vice President–Director of Product Management
Glenn R. Colliss, Vice President–Electronic Banking Product Manager
Manuela H. Eckert, Vice President–Deposit Product Manager
Jamie N. Marano, Vice President–Senior Product Manager

Officers, cont.

Project Management Office

Lynn Imagna, Senior Vice President–Project Management Office Director and Senior IT Project Manager
Urvi R. Desai, Assistant Vice President–Project Management Operations Manager
Ann Marie Kearney, Assistant Vice President–Senior IT Project Manager
Christopher Shashaty, Assistant Vice President–Senior IT Project Manager
Mary Ellen Travers, Assistant Vice President–Senior IT Project Manager
Christine E. Langan, Bank Officer–IT Project Manager
Anne M. Leet-Curran, Bank Officer–IT Project Manager
James K. McGurn, Bank Officer–IT Project Manager

Retail Banking

Karen C. Serinis, Executive Vice President–Chief Retail Banking Officer
Rhonda D. Ball, Senior Vice President–Retail Regional Manager
Gwendolen A. Crawford, Senior Vice President–Director of Retail Services
Katie Gross, Senior Vice President–Retail Regional Manager
Samantha A. Johnson, Senior Vice President–Manager of Retail Services
Christopher M. Keys, Senior Vice President–Retail Regional Manager
Christine E. Ensslin, Vice President–Retail Operations Manager
Patricia L. Pape, Vice President–Call Center Operations Manager
Sarah M. Coriale, Assistant Vice President–Call Center Manager
Julie Pearl, Bank Officer–Retail Operations Assistant Manager

Wealth Management & Shareholder Relations

Salvatore (Sam) Guerrieri, Jr., Executive Vice President– Wealth Management, Marketing, Product Management and Community Engagement
David W. Gibbons, CRPC, Senior Vice President–Director of Business Development
Scott B. Trumbower, Senior Vice President–Director of Shareholder Relations
Roberta L. Van Winkle, Senior Vice President–Senior Private Banker and Team Lead
Matthew J. Alexander, Bank Officer–Private Banker
Kirsten S. Johnson, Bank Officer–Shareholder Relations Specialist

Laurie A. Haelen, AIF®, Senior Vice President–Director of Wealth Solutions
Mark G. Buonaugurio, Senior Vice President–Senior Wealth Advisor
Maria E. Caton, CFP®, ChSNC®, AAMS®, Senior Vice President–Manager of Financial Planning Services
Jason W. Fitzgerald, CFP®, Senior Vice President–Senior Wealth Advisor and Team Lead
Stephen C. Krauss, CFA®, Senior Vice President–Senior Wealth Advisor
Adam R. Leszyk, CFP®, Senior Vice President–Senior Wealth Advisor and Team Lead
Brian J. Murphy, CIMA, Senior Vice President–Chief Investment Strategist
Stephen A. Rossi, CFA®, CFP®, ChFC, Senior Vice President–Senior Equity Strategist
James P. Terwilliger, PhD, CFP®, Senior Vice President–Senior Planning Advisor
Thomas W. Benner, CFP®, Vice President–Wealth Advisor
Nancy E. Bowes, CFP®, Vice President–Wealth Advisor
Donna L. Cator, CFP®, CDFA, Vice President–Wealth Planning Advisor
David P. Guzzetta, AFIMTM, CMFC®, Vice President–Wealth Advisor
Charlene S. Johnson, CPC, QPA, QKA, QPFC, TGPC, ERPA, Vice President–Senior Retirement Consultant
Denise A. Kelly-Dohse, CFP®, Vice President–Sr. Wealth Advisor and Team Lead
Andrew W. Murray, Vice President–Wealth Advisor
Gregory S. Pilato, CRPS®, AWMA®, Vice President–Wealth Advisor
Kevin B. Rankin, Vice President–Sr. Wealth Advisor and Team Lead
Michael D. Schiller, CFP®, Vice President–Wealth Advisor
Matthew Sorce, CFP®, Vice President–Wealth Advisor
Dustin L. Baker, Assistant Vice President–Wealth Advisor
Norton A. Suda, CFP®, ChFC®, RICP®, Assistant Vice President–Wealth Advisor
Heather Aspenleiter, Bank Officer–Wealth Associate Supervisor
Alexander V. Bell, Bank Officer–Wealth Advisor

Jillian E. Dart, Esq., CTFA, AEP®, Senior Vice President–Senior Trust Officer and Group Manager
Amy K. Boyd Ertel, Esq., CTFA, Senior Vice President–Senior Trust Officer and Team Leader
James F. Lieb, CTFA, Senior Vice President–Senior Trust Officer
Joy Ryen Plotnik, Esq., Senior Vice President–Senior Trust Officer
Louis B. Rossetti, CTFA, Senior Vice President–Senior Trust Officer
Ramona Green, CTFA, Vice President–Trust Officer
Kevin D. Kinney, CTFA, Vice President–Trust Officer
Megan F. Barkley, Esq., Assistant Vice President–Trust Officer
Phillip W. Brown, JD, Assistant Vice President–Trust Officer
Bowee Clark, Bank Officer–Trust Associate Supervisor
Rebecca M. Leusch, Bank Officer–Trust Officer

Russell Corona, CFP®, Vice President–Senior Financial Advisor and Team Lead
Jeffrey G. Humbert, CFP®, Vice President–Senior Financial Advisor and Team Lead
Jerry W. Lack, CLTC®, ChFC®, CLU®, Vice President–Wealth Insurance Advisor
Margaret W. Whelehan, CFP®, CDFA®, Vice President–Financial Advisor
Aaron C. Brown, Assistant Vice President–Financial Advisor
Ashley D'Agostino, ChFC®, Assistant Vice President–Financial Advisor
Jered P. Maloney, Bank Officer–Financial Advisor

Kurt E. Rosen, Senior Vice President–Wealth Business Administration
Mark S. Mazzochetti, CISP, Vice President–Retirement Services Officer
M. Beth Uhlen, CPA, Vice President–Wealth Operations Manager
Catherine M. Burnett, Bank Officer–Wealth Operations Assistant Manager
Eileen M. Treat, Bank Officer–Fiduciary Compliance Analyst

Community Banking Offices

Bloomfield
Kim Brewer, Assistant Vice President–Community Office Manager
Ethan Rice, Community Office Assistant Manager

Brighton
Iva Doser, Vice President–Community Office Manager
Amanda Steele, Community Office Assistant Manager

Brockport
Michelle Stevens, Vice President–Community Office Manager
Daniella Mendez-Boyce, Community Office Assistant Manager

Canandaigua–Lakeshore
Kimberly A. Sorel, Vice President–Community Office Manager
Andrew Bolton, Community Office Assistant Manager

Canandaigua–Main Office
Deborah Rought, Vice President–Community Office Manager
Brittany Naughton, Community Office Assistant Manager
Ruth Smith, 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 Operations Manager
Sarah Coralie, Assistant Vice President–Call Center Manager
Garrett Hafler, Assistant Manager

Farmington
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

Greece–Latta & Long Pond
Alicia Welch, Assistant Vice President–Community Office Manager
Donna Kretchmer, Community Office Assistant Manager

Greece–Ridge
Javier Quintana, Assistant Vice President–Community Office Manager
Catherine Funston, Community Office Assistant Manager

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

Honeoye
Amy L. Force, Assistant Vice President–Community Office Manager
Patricia Lang, Community Office Assistant Manager

Honeoye Falls
Steven R. Benz, Vice President–Community Office Manager
Casey Rizzo, Community Office Assistant Manager

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

Manchester-Shortsville
Melissa DeSain, Assistant Vice President–Community Office Manager
Amy E. Eagley, Community Office Assistant Manager

Mendon
Aaron Gillette, Assistant Vice President–Community Office Manager
Elizabeth Yeager, Community Office Assistant Manager

Penfield
Amity Decker, Assistant Vice President–Community Office Manager
Nicole Stackhouse, Community Office Assistant Manager

Perinton
Christopher Pedrone, Vice President–Community Office Manager
Benjamin Bentley, Community Office Assistant Manager

Pittsford
Harry Gibbs, Vice President–Community Office Manager
Jaimie Mulliger, Community Office Assistant Manager

Rochester–Alexander Park
Selvia Hanna, Vice President–Community Office Manager
Jesse Jankowski, Community Office Assistant Manager

Rochester–College Town
Emma Netto, Assistant Vice President–Community Office Manager
Kyle Duthoy, Community Office Assistant Manager

Rochester–East Main
Louis P. Nau, Vice President–Community Office Manager
Jessica Young-Carbonel , Community Office Assistant Manager

Victor
Kristy Merriman, Assistant Vice President–Community Office Manager
Myranda Garza, Community Office Assistant Manager

Webster–BayTowne
Demet Guler, Assistant Vice President–Community Office Manager
Danorah Cox, Community Office Assistant Manager

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

Community Advisory Committees

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Kim Brewer*
Sandra S. Jackson
Kyle T. Marianacci
Carolyn Redmond
Ben Testa

Brighton Office
Iva Doser*
Margaret "Peggy" Growney
James D. Ryan Jr.
Richard B. Yates

Brockport Office
Janet Campbell
Michelle Stevens*
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Josephine C. Matela
Mary McCrank
Chris Wiest

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Denise Chaapel
Edward (Russ) C. Kenyon, Esq.
Frank S. Macri
Ellen Polimeni
Deborah E. Rought*
Kimberly A. Sorel*

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

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

Geneva Office
Donald Cass
Antonio Gomez
Stephanie Hamlin Hesler
Diana Perry*
Marisa Prezepiora

Greece–Latta & Long Pond Office
David Perotto
Tom Petrella
William E. Selke
Alicia Welch*

Greece–Ridge Office
Michelle Marini
Eugene (Gene) Welch
Javier Quintana*

Henrietta Office
Jason DiBiase
Carol M. Love*
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Doug Spiker

Honeoye Office
Michael P. Dougherty
Amy Force*
Kristine A. Singer
J. David Lortscher, Jr.

Honeoye Falls Office
Steven R. Benz*
John T. Harris
Joseph Notar
Barry I. Shapiro

Irondequoit Office
Gail Bellucco*
Scott C. Herrmann
Charles Hinkel

Manchester-Shortsville Office
Melissa DeSain*
Rosanna Foster
Todd Freelove
Jeffery Gallahan

Mendon Office
Aaron Gillette*
Kenneth R. Kraus
Kyle Stevens

Penfield Office
Randy Barkin
Amity Decker*
Andrew R. Randisi
Kim Rose

Perinton Office
Paul Maciaszek
Christopher A. Pedrone*
Scott Winner

Pittsford Office
John E. Bernacki, Esq.
Harry Gibbs*
Pamela J. Gratzer

Rochester–Alexander Park Office
Selvia Hanna*
Louis Maier
Peter S. Mohr
William G. Shaheen

Rochester–College Town Office
Robert DeNero, DC
Anjan K. Ganguly, Esq.
John W. Bryant
Emma Netto*

Rochester–East Main Office
Andrew A. Costanza
Jennifer R. Jones, CPA
Louis P. Nau*

Victor Office
Donald J. Culeton
Mark Hamilton
Mike Kauffman
Rebecca Melton
Kristy Merriman*

Webster–BayTowne Office
Ken Aufsesser
Adam Brozowitz
Demet Guler*
Michael A. Sciortino, Esq.

Webster–Jackson-Ridge Office
Elena M. Bernardi
Scott Gosert
Joseph Maggio*
Michael Richards

Wealth Board of Advisors
Nancy Bond
Jeff Coke
Andrew A. Costanza
Ralph Fornuto
Jack Gianniny
Margaret "Peggy" Growney
Salvatore (Sam) Guerrieri, Jr.**
A. Thomas Hildebrandt
Laurie Kopin
Carol Mossien
James D. Ryan, Jr.
Richard B. Yates

Shareholder Advisory Group
Taylor Bradford
Meg Fuller
Barry Shapiro
Michael Steger
Heather Sullivan***
Rich Walters

*Community Office Manager
** Executive Vice President - Wealth Brands
*** Shareholder Relations Manager

CNB Celebrates Success

In 2023, CNB was honored with multiple awards acknowledging our products and services, training programs, corporate culture, leadership, and innovation.

CNB was voted the winner in the category of **Best Bank** and **Best Investment Firm** for the *Democrat and Chronicle's Rochester's Choice Awards.* It's the Rochester community's chance to share their appreciation and commitment to the businesses they favor most.

In the category of **Mortgage Lending Company,** CNB was voted as a Finalist by the area's readers for the *Democrat and Chronicle's Rochester's Choice Awards.*

CNB was awarded 2023 *Best of the Finger Lakes Awards* in two Finance categories: **Bank** and **Financial Planning Services.** The awards were presented by Messenger Post Media and celebrate the best businesses, organizations, people, and more that YOU think deserve to be named the best!

RBJ Reader Rankings has recognized CNB as best in the Rochester area in four categories: **Best Business Banking, Best Wealth Management, Best Overall Company to Work For (501-1000),** and **Best Employee Recognition Program.** This online survey seeks the best of the best in more than 55 categories and gives the *RBJ* and *The Daily Record* audience the chance to spotlight their favorite businesses.

CNB was recognized as one of the Top 3 in the category of **Best Mortgage Lender** by *RBJ Reader Rankings.*

CNB President & CEO Frank Hamlin has been listed on the *Rochester Business Journal's* 2023 Power List, a compilation of the most influential power players in the Greater Rochester area.

CNB was recognized as a **Rivel Banking Excellence Award winner** and named among the top financial institutions in the Great Lakes region with reputations for top customer service. CNB was recognized in the top 10 banks in New York State. The results for Great Lakes Banks with Top Customer Service Reputation were based on more than 75,000 interviews conducted with households in the Finger Lakes Region.

Community Engagement

Our belief that banking is about people, not money, is central to CNB's culture and ethos. Supporting our community is part of our responsibility to help and celebrate local organizations that elevate the quality of life for everyone in the places we live and work.

We're proud of the key role our employees play in our support for the community. From Little League teams to food banks, golf tournaments to fundraising walks, they serve as both volunteers and advocates.

2023

210
Gifts to Non-Profits

205
Sponsorships

SUPPORT

When flooding hit Canandaigua, it was one of our employees who led the call to help. While employees rallied to deliver meals and collect donations for families in need, CNB seeded a community-wide flood fund with a $10,000 gift and leveraged our Finger Lakes Area Community Endowment Fund (FLACE) to raise more than $100,000 in recovery aid.

"Canandaigua National Bank & Trust believes in the power of community and partnerships. Working together with United Way of Greater Rochester and the Finger Lakes, Salvation Army of Canandaigua, Partnership for Ontario County, Family Promise, and Catholic Charities, CNB developed the FLACE Canandaigua Area Flooding Assistance Fund and supported families impacted by the flooding with interest-free loans to help them get back on their feet. We are incredibly thankful for the critical and timely support for our neighbors in need."

—Kari Buch, Regional Director, United Way of Greater Rochester and the Finger Lakes.

DIVERSITY, EQUITY, AND INCLUSION (DEI)

Since 2018, our employee-led philanthropy program has proactively selected local organizations to receive funds to help fulfill their DEI missions. In 2023, the DEI committee's efforts supported 60 organizations throughout our community.

VOLUNTEERISM

Collectively, our employees donate hundreds of hours of their time each year to local organizations. Just before Thanksgiving, teams from Commercial Lending and Wealth Management volunteered with the Small Business Council of Rochester to pack and deliver 2,300 boxes of meals for people in need. It's one of many examples of our employees making a difference.

GIVING

This year our 25 retail branches embraced a new effort called "Hometown for the Holidays." It was an opportunity for each branch to select a non-profit in their own community to support with donations collected between Thanksgiving and Christmas.

#CNBCARES

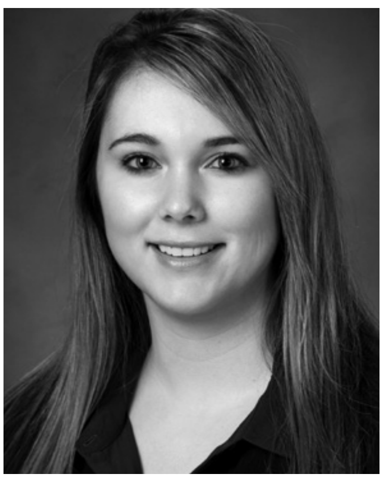
CNB employees not only prove banking is a people business, they lead the way!

We're proud to support and celebrate our community.

The Arthur S. Hamlin Award for Excellence

Congratulations to This Year's Recipient: Lindsay Mohr

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.



"I began my career at CNB in 2011 as a part-time teller at our Perinton Office. Over the last decade, CNB has invested time and resources into me and my development: offering trainings, coaching, opportunities to advance, and countless other ways of support. When I received this award at our Employee Celebration Event, I was shocked and speechless. I am so thankful for the recognition from my colleagues and CNB family and will never be able to show my gratitude enough. I appreciate CNB taking a chance on me, letting me grow and develop, guiding me along the way, and embracing me for my authentic self. I look forward to continuing to service our internal and external customers and being part of this wonderful organization for many years to come."

– Lindsay Mohr, 2022 Arthur S. Hamlin Award Recipient

2023 Nominees

Melissa Grandjean
Eva Jones
Denise Kelly-Dohse
Anne Leet-Curran
Joshua Maxwell
Matt O'Hara
Dario Saccente
Cori Zinter

Past Recipients

Joseph Legan 2021
Jan Schrader 2021
Jeffrey A. Holman 2020
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

George W. Hamlin, IV

Distinguished leadership, dedication, and loyalty. Thank you for your indelible influence.

After a remarkable and transformational four decades of leadership, this past year, George W. Hamlin, IV stepped down as Chairman of Canandaigua National Bank & Trust (CNB), Canandaigua National Corporation (CNC), and Canandaigua National Trust Company of Florida (CNTF). He will remain on all three Boards as a Director.

Mr. Hamlin started his career as an attorney before joining the bank as Vice President in 1978, becoming President and CEO a year later. Under his leadership, CNB experienced tremendous growth, expanding from Ontario County to Monroe County, all while never losing sight of its emphasis on exceptional customer service and treating employees like family.

He is known for his intellect, fairness, loyalty, and proudly wearing a button that proclaims: “I Love My Bank.” “We at CNB have demonstrated that banking, thought by most to be a money business, is, in fact, a people business which graces us with the loyalty of customers and staff. It is our ‘Secret in the Sauce,’” shared Mr. Hamlin.

“We are now in the fifth generation of Hamlin leadership. The bank has continued to grow and prosper without a hiccup, with each leader contributing mightily to our success. For his part, George Hamlin has been a primary piece of that remarkable history,” said Bob Sheridan, former CNB Executive Vice President and current CNC Board Director. He met Mr. Hamlin in 1978, forming a partnership and working together to grow CNB into the largest locally owned bank in the Rochester area.

Mr. Hamlin has also served and dedicated himself to many non-profit and professional organizations throughout the community, most notably URMC, Thompson Health, Mercy Flight, Eastman School of Music, Rochester Museum and Science Center, Rochester Philharmonic Orchestra, Bristol Valley Theater, New York Bankers Association, Independent Bankers Association of New York State, American Bankers Association, Federal Reserve Bank of New York, CMAC, Canandaigua Area Development Corporation, and New York Kitchen.

Additionally, Mr. Hamlin worked tirelessly and successfully to keep both the Canandaigua VA Medical Center and Sonnenberg Gardens open and operating. He was also instrumental in the expansion and development of the Canandaigua Airport to better serve the area’s economic and aeronautic needs.

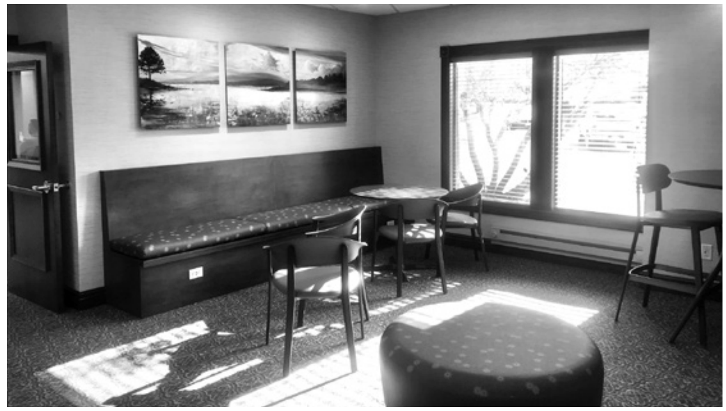
Mr. Hamlin: Canandaigua National Bank & Trust and the entire community are both better because of you, your invaluable service, and your countless contributions.

"While it's impossible to recognize all my father means and does for the bank and our community, it's my hope that this is a fitting tribute to his 45 years of transformational leadership," said CNB President and CEO Frank H. Hamlin, III.

A unique tribute to an exceptional leader

CNB honored our former President and Chairman of the Board with the newly named and renovated George W. Hamlin, IV Community Boardroom at our Canandaigua headquarters.

For more than four decades, Hamlin's leadership has been centered in the boardroom that now bears his name. It's where he's collaborated with CNB's Board of Directors, bank leadership, and employees to partner on decisions that have led to the bank's continued growth. It's also a space where he invited countless community leaders, businesses, and organizations to partner on projects that have benefited so many in the Greater Rochester region.



New spaces for us to gather, learn, and share

Our Basin Park office has undergone a significant transformation to centralize several meeting rooms in one area. The former home to our HR and Retail Banking departments was renovated to provide a new 54-seat training room, state-of-the-art meeting spaces, a staff breakroom, and a gathering space for both bank and community events.

Thank You for Your Service

We would like to acknowledge the following colleagues who retired from CNB in 2023. 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!

Bernie Belcher	35 Years
Tom Benner	13 Years
Chris Coleman	29 Years
Lynn Colyer	31 Years
Lori Ellis	38 Years
Catherine Gioia	22 Years
Kristi Hamann	35 Years
Ann Mulheron	14 Years
Sandy Roberts	42 Years
Linda Schnitzler	43 Years
Karen Serinis	26 Years
Brenda Stoker	26 Years
Scott Trumbower	41 Years

Karen Serinis

Executive Vice President,
Retail Banking

As CNB's first female Executive Vice President, Karen Serinis always led by example, demonstrating the values of service and a "people-first" philosophy throughout her extraordinary career.

Karen was instrumental in the bank's transformational expansion into Monroe County. Her tenure began in 1997 as the first manager of the Pittsford "synergy" office. She then became the eastside Area Manager before being named Director of Retail Services in 2007.

She believes the key to managing that successful expansion came down to maintaining CNB's high standards of customer service, bolstered by a positive bank culture and executed by an engaged workforce with an "above and beyond" work ethic.

Karen was promoted to Executive Vice President in 2011. During her 12 years in that position, her management oversight and influence included Corporate Marketing, Communications and Events, Product Management, Consumer Lending, CNB Mortgage Company, and the Small Business Banking unit.

Karen believes CNB's distinction always comes back to its people. "I've long understood that the reason we win is because our employees are different—the good 'different.' We show up each day ready to extend our best to each other and to our customers. It's a conscious decision to operate the way we do," she says.

Gwen Crawford, CNB Director of Retail Banking, says Karen has been a mentor and has consistently communicated beyond the decision to include "the why." "She empowered her people to feel comfortable making decisions and working independently because she spent the time explaining her thought process. She's transparent and honest and inspires me to want to lead and carry on her legacy."

Karen has also contributed greatly to the community, with a focus on organizations for youth and women. In 2018, she was honored as one of RBJ's "Women of Excellence." In 2012, the Professional Women of the Finger Lakes named her a "Woman of Distinction." Also passionate about the teaching value of youth sports, the Webster Athletic Association's girls' softball program recognized her coaching and board membership with a lifetime achievement award and a varsity field named in her honor.

She and her husband now live in Canandaigua and have three grown children and three grandchildren.

~ Congratulations on your retirement and thank you for your dedication and leadership ~

Linda Schnitzler

Senior Vice President,
Chief Risk Officer

Linda Schnitzler retires after a remarkable, dedicated 45-year career in financial services, 43 of which were spent at CNB. For nearly four decades, she worked tirelessly to steer the bank clear of business and financial risks, always doing so with grace and the bank's core values top of mind.

Linda was among the first members of the Internal Audit Office where she spent 27 years, nearly half as Chief Auditor. In 2011, she was promoted to Chief Risk Officer and was responsible for developing, implementing, and oversight of an Enterprise Risk Management Program, collaboratively achieving positive results. Her expertise brought significant contributions to CNB during a time of exceptional change.

"Linda cares deeply about this organization and her CNB family. She's the first one to offer her help when colleagues are over capacity. Linda has also served as a thoughtful and exceptionally helpful coach and mentor over the years. We could all just count on her asking insightful questions, challenging our assumptions, and leading us to answers and actionable plans," says Roz Zatyko, CNB Executive Vice President, Chief Administrative Officer.

"I'm grateful to the leadership of the company who gave me opportunities and support during my tenure. Thank you to my colleagues who worked alongside me to make my time spent at CNB enjoyable and rewarding. I'll always look back at my career at CNB with fond memories," says Linda.

Linda is also very involved in her community as a founding member of the Ontario/Yates Fund for Women and Girls, founder and player for the Canandaigua Ladies Hockey Team, and Treasurer of the Greater Canandaigua Civic Center.

Linda and her husband live in Penn Yan and have two grown children and five grandchildren.

~ Thank you, Linda, for your dedication and service ~

Sandy Roberts

Senior Vice President &
Chief Information Officer

Sandy Roberts retires from CNB after more than 42 years of service. Sandy started as a CNB summer intern in 1981 before joining the bank full-time upon graduating college. Sandy progressed through several positions within Information Technology, from Systems Administrator to Chief Information Officer. When Dave Morrow retired in 2004, Sandy assumed management of the IT and Item Processing departments.

Over the years, Sandy played a critical role in the success of the CNB organization. She led many significant projects for CNB, such as conversion onto the existing core banking system and conversion onto our long-term archive solution. Within the banking industry, Sandy has been considered an expert innovator of paperless processes that support financial transactions. Through her leadership, in 2004 CNB became the first New York bank to process electronic checks with the Federal Reserve. Sandy has been recognized as an IT leader through participating in industry advisory groups and was ultimately recognized as Digital Rochester Technology Woman of the Year in 2015.

"Sandy's vast knowledge and expertise in banking and information systems will be greatly missed. Her hard work, dedication, and commitment to this company are greatly appreciated," says Frank H. Hamlin, III, President and CEO.

"I will fondly remember all the amazing people I worked with who have always astounded me with their brilliance, compassion, and tenacity. Collaborating and building alongside such innovative people has been my favorite experience. Through the strong culture at CNB, I have established meaningful lifelong friendships that will continue to enrich my life. I hope everyone has the positive experience I had through my long career. Remember to remind yourself that your talents are all very important to our future success!"

Sandy and her husband Cass are looking forward to spending more time with family in the Finger Lakes.

~ Thank you, Sandy, for all that you have done for this company over your many years of service ~

Scott Trumbower

Senior Vice President,
Director of Shareholder Relations

Scott Trumbower's entire banking career focused on serving the customers and shareholders of CNB/CNC. He started as a management trainee in 1982, learning all the facets of the bank. Scott worked in employee benefits, as IRA Department Manager, Investment Officer, Manager and Director of Wealth Strategies, Wealth Administration, and finally as Director of Shareholder Relations since 2019.

"Scott's impact over the past four decades on his fellow employees, customers, and our shareholders is wide-ranging and appreciated by all," says Vince Yacuzzo, CNB Executive Vice President and Chief Financial Officer. "Scott offered a steady and stable approach that helped him develop long-standing and trusted relationships. I thank him for everything he has contributed to this institution and wish him a long and happy retirement."

"I'm proud of the impact on both the organization and the community my 41-year career has had on the growth and development of CNB Wealth Management. Managing the department with a thoughtful mind and heart always was a winning combination for both CNB and me. My authentic approach to leading has resulted in a long-standing career that has provided me with great meaning, purpose, and enduring relationships," says Scott.

In addition to his banking career, Scott is a husband, a father of three, and a farmer. He often opens his farm in Naples so visitors can see his sheep, goats, donkeys, and chickens. Scott is also an avid bow hunter and maple syrup maker, all of which he will now have more time to enjoy.

~ Thank you, Scott, for your loyal and dedicated service to CNB/CNC~

Brenda Stoker

Senior Vice President,
Consumer Lending Operations Manager

Brenda Stoker provided 26 years of dedication and outstanding service to Canandaigua National Bank & Trust. In 1997, her first role at CNB was Administrative Assistant, Commercial Lending, with a quick move over to Consumer Lending.

Brenda received numerous promotions, including to Consumer Loan Department Supervisor, Consumer Lending/Home Equity Supervisor, Lending Officer, and a number of subsequent managerial positions. In 2013, she assumed the Consumer Lending Operations Manager role and advanced to Senior Vice President in 2018. Brenda effectively managed her team in the processing of consumer loan applications received from CNB's community offices and from a large network of local automobile dealers.

"For my entire time at CNB, I've had the honor and privilege of working very closely with Brenda Stoker. I can say with great confidence that Brenda exemplifies the core values of the bank every day of her life," says Brian Pasley, CRA Officer at CNB. "Brenda was committed to the success of CNB by providing the highest level of customer service while creating a positive team approach. I'm proud to have been a colleague and even prouder to consider her a close friend."

"It's been an honor and privilege to work for a company with a strong commitment to its community, customers, and employees. I express my gratitude to the leadership and my colleagues for this rewarding 25-year journey. I'll always be proud to have been part of the team at Canandaigua National Bank," says Brenda.

Brenda was chosen by her peers as the 2001 Arthur S. Hamlin Award recipient. She served on the Board of Directors for the United Way of Ontario County and as a member of the community investment committee and the women's leadership council. Her commitment to the community has been recognized by nominations for the 2010 Canandaigua Chamber ATHENA Award and the 2018 Professional Women of the Finger Lakes Women of Distinction.

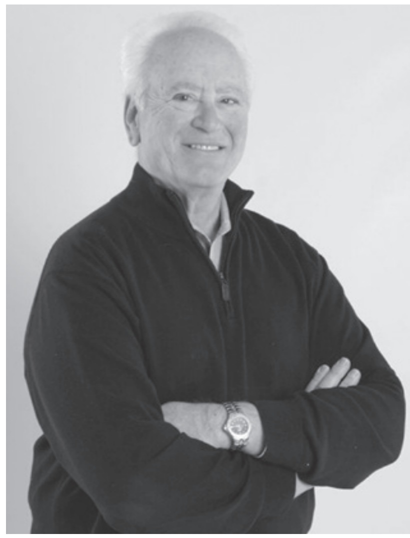
We wish Brenda a very happy retirement enjoying her favorite things: boating, the Bills, and especially family time with her grandson, Bechler, and granddaughter, Daphne June.

~ Thank you, Brenda, for your unwavering commitment to this company and the CNB family ~

1945 – 2023

In Memoriam

David Gorin

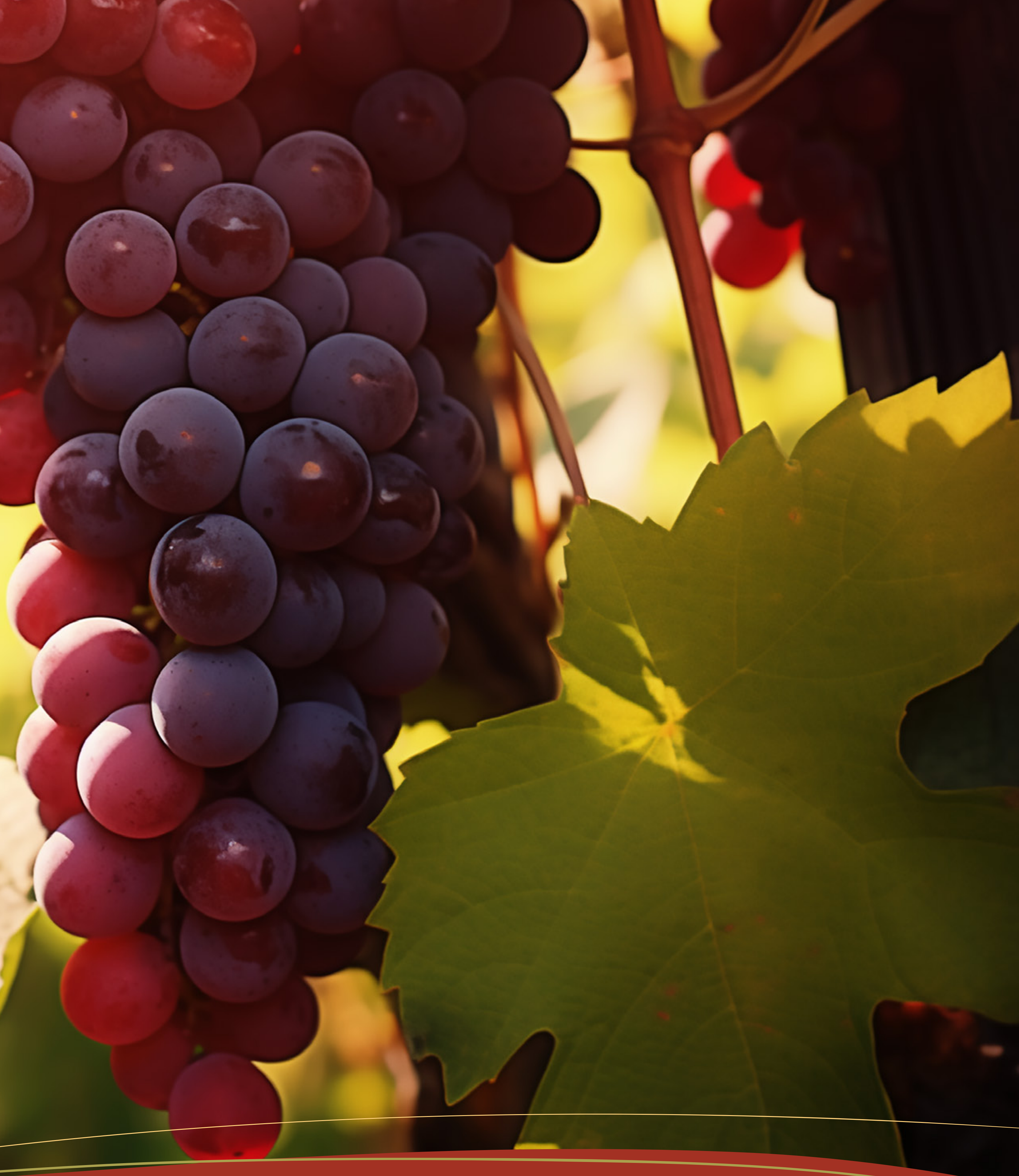


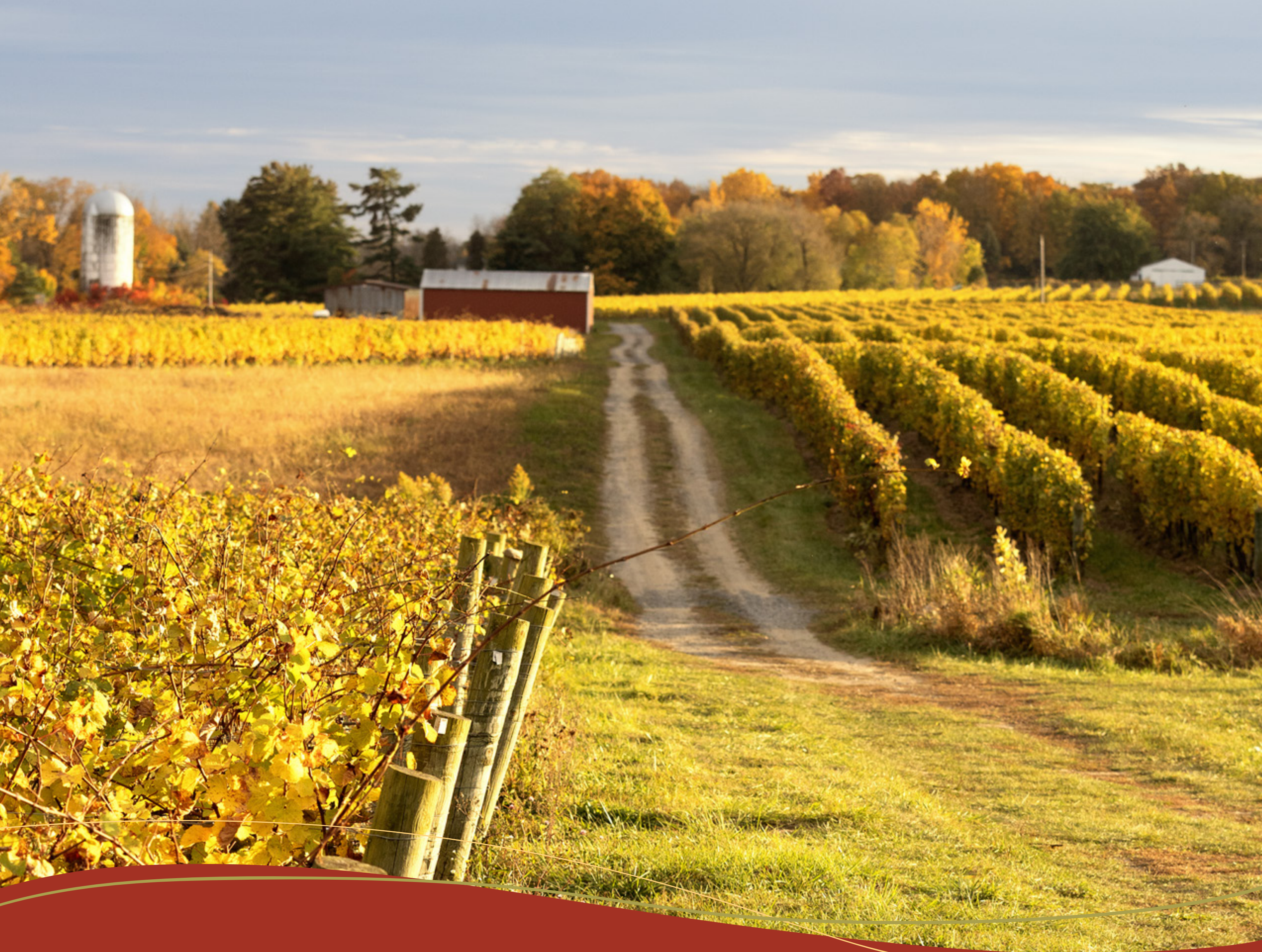
David Gorin was a friend and advocate of Canandaigua National Trust Company of Florida. We are grateful for his service on the Board of Directors and his many philanthropic contributions to the Sarasota area.

"David was always the calm voice of reason and clarity. With his sharp mind and solid opinions, he challenged us to ask the right questions, make the right decisions, and follow the most logical path—always," says Nelle Miller, his friend and Board Director of Canandaigua National Trust Company of Florida. "His kindness and big heart always led the way. He's a missed member of our team in Sarasota."

Before starting his own consulting company, David held leadership positions with Temple Beth Israel of Long Boat Key, Eastern Seaboard Region of United Synagogues of America, American Jewish Congress, American National Metric Council, and the Association of RV Parks and Campgrounds. In 2016, David was inducted into the RV and Manufactured Housing Hall of Fame.

David is survived by his wife Susan and two sons.





Canandaigua
National
Corporation