Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This report is required by law: Section 5(c)(1) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)); section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)(2)); sections 102 (a)(1), 165, and 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. §§ 5311(a)(1), 5365, and 1850a(c)(1)); and sections 8(a) and 13(a) of the International Banking Act of 1978 (12 U.S.C. §§ 3106(a) and 3108(a)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, David Rotatori
Name of the Holding Company Director and Official

President and CEO
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter <u>and</u> individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

3.15.23
Date of Signature

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2022
Month / Day / Year

Reporter's Name, Street, and Mailing Address
Ion Financial MHC
Legal Title of Holding Company

251 Church Street
(Mailing Address of the Holding Company) Street / P.O. Box

Naugatuck	CT	06770
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Dana Silva	SVP, Secretary
Name	Title

203-720-2530
Area Code / Phone Number / Extension

203-720-5304
Area Code / FAX Number

dsilva@ionbank.com
E-mail Address

Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... ☐
2. a letter justifying this request has been provided separately ... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Federal Reserve Bank Use Only

RSSD ID
C.I.

Report Item 1: Annual Report to Shareholders

For holding companies not registered with the SEC, **indicate status of Annual Report to Shareholders:**

☒ is included with the FR Y-6 report

☐ will be sent under separate cover

☐ is not prepared

Checklist

The checklist below is provided to assist the holding company in filing all the necessary responses and verifying changes from the prior year to the various report items. The completed checklist should be submitted with the report. Please see section A of the General Instructions for additional guidance.

Verification of Changes

All Reporters must respond to the following questions by checking the Yes or No box below, as appropriate.

Did the holding company have changes to any reportable FR Y-6 items (2a, 2b, 3, or 4) from the prior year?

☒ Yes ☐ No

If checked Yes, complete the remaining checklist for Report Items 2a, 2b, 3, and 4. For each Report Item, indicate whether there are changes from the prior year by checking Yes or No below. See section A of the General Instructions for additional information.

Report Item 2a: Organization Chart

☐ Yes ☒ No

If checked Yes, the Reporter must submit the organization chart as specified in Report Item 2.a instructions.

Report Item 2b: Domestic Branch Listing

☒ Yes ☐ No

If checked Yes, the Reporter must submit the domestic branch listing as specified in Report Item 2.b instructions.

Report Item 3: Securities Holders

☐ Yes ☒ No

If checked Yes, the Reporter must submit the information as specified in Report Item 3 instructions.

Report Item 4: Insiders

☒ Yes ☐ No

If checked Yes, the Reporter must submit the information as specified in Report Item 4 instructions.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City | State | Zip Code

Physical Location (if different from mailing address)

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City | State | Zip Code

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Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City | State | Zip Code

Physical Location (if different from mailing address) ion FINANCIAL, MHC

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Ion Financial, MHC

TABLE OF CONTENTS

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Tel: 203.397.2525

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Holyoke, MA 01040
Tel: 413.536.3970

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Ion Financial, MHC:

Opinion

We have audited the accompanying consolidated financial statements of Ion Financial, MHC and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in retained income and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

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

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

Report on Internal Control over Financial Reporting

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, 2022, based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 7, 2023, expressed an unmodified opinion.

Whittlesey PC

Hartford, Connecticut
March 7, 2023

Ion Financial, MHC

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

(In thousands)	2022	2021
Assets		
Cash and cash equivalents	$ 78,912	$ 396,897
Trading securities, at fair value	201	9,144
Investment securities available for sale, at fair value		
(amortized cost of $455,753 in 2022 and $121,958 in 2021)	434,743	121,462
Equity securities, at fair value	20,823	23,558
Loans	1,414,878	1,124,909
Less: Allowance for loan losses	16,943	16,844
Total net loans	1,397,935	1,108,065
Premises and equipment, net	27,066	15,515
Federal Home Loan Bank stock, at cost	3,788	2,069
Accrued income receivable	18,838	10,426
Deferred income taxes, net	11,328	4,412
Goodwill and intangibles	7,701	2,217
Other real estate owned	4,793	101
Cash surrender value of bank-owned life insurance	15,811	8,542
Pension benefits	20,209	20,344
Other assets	32,027	16,657
Total assets	$ 2,074,175	$ 1,739,409
Liabilities and Retained Income		
Deposits		
Savings and interest-bearing checking	$ 986,961	$ 809,354
Demand	599,795	540,695
Time	166,196	135,985
Total deposits	1,752,952	1,486,034
Borrowed funds	82,034	44,911
Mortgagors' escrow accounts	5,957	5,694
Postretirement benefits	8,637	12,224
Other liabilities	61,336	32,438
Total liabilities	1,910,916	1,581,301
Commitments and contingent liabilities (Note 14)		
Retained income		
Undivided profits	184,996	166,496
Accumulated other comprehensive loss	(21,747)	(8,414)
Retained income attributable to Ion Financial, MHC	163,249	158,082
Noncontrolling interest	10	26
Total retained income	163,259	158,108
Total liabilities and retained income	$ 2,074,175	$ 1,739,409

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

Ion Financial, MHC

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2022 and 2021

(In thousands)	2022	2021
Interest and dividend income		
Interest and fees on loans	$ 54,939	$ 49,335
Interest on investments	9,704	2,081
Dividends on investments	1,203	987
Total interest and dividend income	65,846	52,403
Interest expense		
Deposits	5,171	2,420
Borrowed funds	2,846	2,503
Escrow	5	6
Total interest expense	8,022	4,929
Net interest and dividend income	57,824	47,474
Provision for loan losses	250	475
Net interest income after provision for loan losses	57,574	46,999
Noninterest income		
Service charges, fees and other	10,420	7,776
Brokerage commissions	5,385	4,803
Insurance commissions	-	2,018
Net (loss) gain on equity and trading securities	(3,836)	2,034
Net loss on available for sale securities	(484)	-
Gain on sale of Infinex stock	4,885	-
(Loss) gain on sales of loans	(105)	1,938
Gain on sale of subsidiary	1,300	7,901
Total noninterest income	17,565	26,470
Noninterest expense		
Salaries and employee benefits	32,630	32,135
Fees and services	8,655	7,547
Occupancy	4,460	4,056
Equipment	3,925	3,576
Office	1,325	1,248
Marketing	1,896	1,969
Other	(1,022)	913
Total noninterest expense	51,869	51,444
Income before provision for income taxes	23,270	22,025
Provision for income taxes	4,676	4,366
Net income	18,594	17,659
Less: Net income attributable to noncontrolling interest	94	601
Net income attributable to Ion Financial, MHC	$ 18,500	$ 17,058

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

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(In thousands)	2022	2021
Net income	$ 18,594	$ 17,659
Less: Net income attributable to noncontrolling interest	(94)	(601)
Net income attributable to Ion Financial, MHC	18,500	17,058
Other comprehensive income before tax		
Unrealized (losses) gains on securities:		
Net unrealized holding losses arising during the period	(20,998)	(1,596)
Less: Reclassification adjustment for losses included in net income	484	-
Net unrealized loss on securities	(20,514)	(1,596)
Net unrealized gain on derivative hedges	4,009	3,528
Change in pension and postretirement liabilities	(372)	12,465
Other comprehensive (loss) income before tax	(16,877)	14,397
Income taxes	3,544	(3,023)
Other comprehensive (loss) income, net of tax	(13,333)	11,374
Comprehensive income	$ 5,167	$ 28,432

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

Ion Financial, MHC

CONSOLIDATED STATEMENTS OF CHANGES IN RETAINED INCOME

For the Years Ended December 31, 2022 and 2021

(In thousands)	Undivided Profits	Accumulated Other Comprehensive Loss	Total Equity Ion Finacial, MHC	Noncontrolling Interest	Total Equity
Balance, December 31, 2020	$ 149,438	$ (19,788)	$ 129,650	$ -	$ 129,650
Net income	17,058	-	17,058	601	17,659
Equity attributable to noncontrolling interest	-	-	-	620	620
Distribution to noncontrolling interest	-	-	-	(1,195)	(1,195)
Change in pension and postretirement liabilities, net of taxes	-	9,847	9,847	-	9,847
Change in derivative hedges, net of taxes	-	2,787	2,787	-	2,787
Change in net unrealized losses on available for sale securities, net of taxes	-	(1,260)	(1,260)	-	(1,260)
Balance, December 31, 2021	166,496	(8,414)	158,082	26	158,108
Net income	18,500	-	18,500	94	18,594
Distribution to noncontrolling interest	-	-	-	(110)	(110)
Change in pension and postretirement liabilities, net of taxes	-	(294)	(294)	-	(294)
Change in derivative hedges, net of taxes	-	3,167	3,167	-	3,167
Change in net unrealized losses on available for sale securities, net of taxes	-	(16,206)	(16,206)	-	(16,206)
Balance, December 31, 2022	$ 184,996	$ (21,747)	$ 163,249	$ 10	$ 163,259

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

(In thousands)	2022	2021
Operating activities		
Net income	$ 18,500	$ 17,058
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	250	475
Depreciation and amortization	2,844	2,341
Amortization and accretion of loan fees and discounts, net	(917)	(4,344)
Subsidiary stock contributed to Ion Foundation	-	620
Earnings allocated to noncontrolling interests	94	601
Gain on sale of subsidiary	(1,300)	(7,901)
Loss/(gain) on sale of loans	105	(1,938)
Net gains on investment securities	(565)	(2,034)
Net gain from sales and writedowns on other real estate owned	(51)	(164)
Bank owned life insurance income	(369)	(247)
Limited partnership income	159	(465)
Decrease (increase) in deferred income taxes	409	(315)
Amortization and accretion of investment securities premiums and discounts, net	(560)	122
Changes in assets and liabilities:		
(Increase) decrease in accrued income receivable	(7,772)	1,084
(Increase) decrease in other assets	(18,745)	2,891
Change in pension and other postretirement benefits	(3,824)	(2,047)
Increase (decrease) in other liabilities	28,211	(1,388)
Net cash provided by operating activities	16,470	4,350
Investing activities		
Proceeds from sales, maturities and principal repayments of investment securities available for sale	39,613	28,611
Purchase of investment securities available for sale	(322,044)	(87,158)
Purchases of investments classified as trading	(32,182)	(42,707)
Proceeds from sales of investments classified as trading	40,042	33,600
Purchase of marketable equity securities, net	357	(449)
Net (increase) decrease in loans	(143,862)	119,238
Proceeds from redemption of FHLB stock	1,442	1,834
Cash received for sale of subsidiary	1,300	14,590
Cash paid for acquisitions	(7,436)	-
Cash received from acquisition	41,674	-
Investment in bank owned life insurance	(312)	(313)
Proceeds from sales of foreclosed real estate	152	446
Investment in foreclosed real estate	(140)	-
Investment in limited partnership investments	(5,202)	(1,355)
Proceeds from limited partnership investments	314	905
Proceeds from sale of premises and equipment	39	-
Purchase of premises and equipment	(2,563)	(2,551)
Net cash (used in) provided by investing activities	(388,808)	64,691

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

CONSOLIDATED STATEMENTS OF CASH FLOWS – *(CONTINUED)*

For the Years Ended December 31, 2022 and 2021

(In thousands)	2022	2021
Financing activities		
Decrease in time deposits	$ (40,476)	$ (14,627)
Increase in savings, interest-bearing checking and demand deposits	125,890	98,935
Issuance of subordinated debt	20,000	-
Subordinated debt issuance cost	(540)	-
Payoff of subordinated debt	(20,674)	-
FHLB repayments	(30,000)	(35,000)
Distributions to noncontrolling interests	(110)	(1,195)
Net increase (decrease) in mortgagors' escrow accounts	264	(1,104)
Net cash provided by financing activities	54,354	47,009
Change in cash and cash equivalents	(317,984)	116,050
Beginning of year cash	396,896	280,847
End of year	$ 78,912	$ 396,897
Supplemental disclosures		
Cash paid during the year for:		
Interest	$ 8,011	$ 4,931
Income taxes	3,050	4,010
Non-cash investing and financing transactions:		
Loans transferred to other real estate owned	4,653	182
Decrease in other liabilities for hedge derivatives	(4,009)	(3,527)

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

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Ion Financial, MHC ("MHC" or the "Company"), a Mutual Holding Company, has investments in several wholly-owned subsidiaries including Ion Bank (the "Bank") and Ion Insurance, Inc. (collectively, the "Company").

MHC's primary subsidiary is the Bank. The Bank's main office is located in Naugatuck, Connecticut. The Bank operates through its main corporate office, twenty-one retail branches and two limited-service high school branches, located primarily in the Western half of Connecticut and northern New Jersey. The Bank's primary source of income is interest received on loans to customers, which include small and middle market businesses and individuals residing primarily within the Bank's service area.

The Bank, in turn, has multiple wholly-owned subsidiaries including Ion Investment Holding Company, which holds the Company's investment in Infinex Financial Services, a registered broker-dealer.

On April 30, 2021, the Company donated a minority interest (9.95%) in Ion Insurance, Inc. to Ion Foundation. The donation expense was $620,000.

In 2021, Ion Financial, MHC sold the assets of Ion Insurance Inc. to an unrelated third party. The sale was effective on May 1, 2021. The sales price was $15 million and a gain of $7.9 million was recorded.

On November 23, 2021, the Company entered into a definitive agreement to purchase Lincoln Park Bancorp, MHC for a transaction price of approximately $7.5 million.

In 2022, Ion Financial, MHC acquired Lincoln Park Bancorp, MHC, the parent of Lincoln 1st Bank, located in New Jersey with 2 branches. The acquisition was effective July 1, 2022 and was accounted for by the acquisition method. The purpose of the acquisition was growth and expansion into New Jersey. The acquisition included goodwill of $3.1 million.

On June 30, 2022, the Company entered into a definitive agreement to purchase assets of BCI Financial Corporation; the expected goodwill has not yet been determined. This purchase occurred on February 1, 2023.

Principles of Consolidation

The consolidated financial statements include the accounts of MHC and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Estimates that are particularly critical and are susceptible to change are the allowance for loan losses, income taxes, pension and other postretirement benefits, other real estate owned, valuation of derivative financial instruments and goodwill impairment. Operating results in the future could vary from the amounts derived from management's estimates and assumptions.

Subsequent Events

Management has reviewed for subsequent events for potential recognition or disclosure in the consolidated financial statements through March 7, 2023, the date in which the Company's consolidated financial statements were available to be issued.

Business Combinations

Business combinations are accounted for under the acquisition method, in which the identifiable assets acquired and liabilities assumed are generally measured and recognized at fair value as of the acquisition date, with the excess of the purchase price over the fair value of the net assets acquired recognized as goodwill. Items such as acquired right of use lease assets and operating lease liabilities as lessee, employee benefit plans, and income-tax related balances are recognized in accordance with other applicable GAAP, which may result in measurements that differ from fair value. Business combinations are included in the consolidated financial statements from the respective dates of acquisition. Historical reporting periods reflect only the results of legacy Ion Financial, MHC operations. Merger-related costs are expensed in the period incurred and presented within the applicable non-interest expense category. Additional information regarding Ion's mergers and acquisitions can be found within Note 2: Mergers and Acquisitions.

Purchased Credit Impaired Loans

Purchased credit-impaired (PCI) loans and leases are defined as those that have experienced a more-than-insignificant deterioration in credit quality since origination. Ion Financial, MHC considers a variety of factors to evaluate and identify whether acquired loans are PCI, including but not limited to, nonaccrual status, delinquency, TDR classification, partial charge-offs, decreases in FICO scores, risk rating downgrades, and other factors. Upon acquisition, expected credit losses are added to the fair value of individual PCI loans and leases to determine the amortized cost basis. After initial recognition, any changes to the estimate of expected credit losses, favorable or unfavorable, are recorded as a provision for credit loss during the period of change.

Investments

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

Marketable debt securities are classified as trading, available for sale, or held to maturity. Management determines the appropriate classifications of securities at the time of purchase. Held to maturity securities, if any, are debt securities for which the Company has the ability and intent to hold until maturity, and are recorded at amortized cost. Trading securities are recorded at fair value, with unrealized gains and losses included in earnings. All other securities not included in held to maturity or trading are classified as available for sale, and are recorded at fair value, with unrealized gains and losses recorded through other comprehensive income.

Premiums and discounts on debt securities are amortized or accreted into interest income over the term of the securities using the level yield method.

A decline in fair value of a debt security below amortized cost that is deemed other than temporary is charged to earnings for the credit related other than temporary impairment ("OTTI") resulting in the establishment of a new cost basis for the security. The non-credit related OTTI is recognized in other comprehensive income if the Company does not have the intent to sell or will not be required to sell the security.

Gains and losses on sales of securities are recognized at the time of sale on a specific identification basis.

The Bank has minority interest investments of less than 5% in seven limited liability partnerships. Through December 31, 2022, the Bank's investment is $9.6 million, which is included in other assets. These investments are being accounted for by the equity method.

Loans

Loans are stated at unpaid principal balance net of deferred origination fees, costs, certain fair value adjustments on acquired loans, and allowance for loan losses. Interest on loans is accrued and recognized based on contractual rates applied to principal amounts outstanding. Loan origination and commitment fees, net of certain direct costs, are deferred and recognized as an adjustment to interest income primarily using the level yield method over the contractual life of the related loan. When loans are repaid, sold or participated out, the unamortized portion of fees and costs are recognized as income or expenses at that time.

The Company's loan portfolio segments are residential real estate, commercial real estate, construction, commercial and industrial, and consumer loans.

In determining income recognition on loans, generally no interest is recognized with respect to loans on which a default of interest or principal has occurred for a period of 90 days or more. A loan is placed on nonaccrual status when it is 90 days or more past due or sooner if management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that the presumption of collectability of interest no longer is prudent. When a loan is placed on nonaccrual status, previously accrued interest deemed uncollectible is reversed from interest income. A nonaccrual loan may be restored to accrual status when payments have resumed and prospects for future payments are no longer in doubt. Interest payments on nonaccrual loans are recognized as interest income on a cash basis.

Loans are fully or partially charged off when deemed uncollectible or when they reach a predetermined number of days past due. Loans are considered past due when payments are behind based on the contractual terms of the loan.

The Company has the ability to sell fixed rate residential real estate loans to government-sponsored entities. Such loans held for sale are carried at the lower of cost or fair value. There were no loans held for sale as of December 31, 2022 and 2021.

Leases

Effective January 1, 2022, the Company adopted Accounting Standard Update (ASU) 2016-02 – Leases. As a result of the ASU, the Company assesses all of its leases as either an operating lease or a financing lease. Both operating leases and financing leases are recorded and disclosed separately as a right to use asset and a lease liability. Management of the Company determined that all of the Company's leases are operating leases. The impact of the adoption was recording a right of use asset and a lease liability of $6.76 million. As of December 31, 2022 the balance in the right of use asset and lease liability were $9.3 million and $9.4 million respectively. Right of use assets are recorded in property and equipment, and the lease liability is recorded in other liabilities.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level determined by management to be the best estimate of losses incurred in the loan portfolio as of the date of the consolidated financial statements. The allowance is increased or decreased by a provision or credit reflected in operations, which represents an estimate of losses that occurred during the period and a change in estimated losses recorded in prior periods. Loan losses are charged against the allowance when management believes the collectability of principal is unlikely. Recoveries of charged off loans are credited to the allowance.

The determination of the adequacy of the allowance for loan losses by management is based on an assessment of risk elements in the portfolio, identified factors affecting specific loans and available information about the current economic environment in which the Company and its borrowers operate. Management reviews overall portfolio quality through an evaluation of individual performing and impaired loans, the risk characteristics of each component of the loan portfolio, an analysis of current levels and trends in charge offs, delinquency and non-accruing loan data, and the credit risk profile of each component of the portfolio, among other factors.

The allowance for loan losses consists of a formula reserve based on a variety of factors including historical loss experience, for various loan portfolio classifications and a valuation allowance for specific loans identified as impaired. An additional unallocated reserve may also be provided to reflect the complexity of the lending portfolio and the degree of estimation involved in assessing the overall adequacy of the allowance for loan losses. The allowance is an estimate and ultimate losses may vary from management's estimate. Changes in the estimate are recorded in the results of operations in the period in which they become known, along with provisions for estimated losses incurred during that period.

A loan is considered to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans, as defined, may be measured based on 1) the present value of expected future cash flows, discounted at the loan's original effective interest rate or 2) the loan's observable market price or 3) the fair value of the collateral if the loan is collateral-dependent. When the measurement of the impaired loan as described above is less than the recorded investment in the loan, an impairment is recorded through the allowance for loan losses.

Troubled Debt Restructurings
A modified loan is considered a troubled debt restructuring ("TDR") when two conditions are met: 1) the borrower is experiencing financial difficulties and 2) the modification constitutes a concession. Modified terms are dependent upon the financial position and needs of the individual borrower. All TDR's are reported as impaired loans.

Mortgage Servicing Rights
The Company capitalizes mortgage servicing rights for loans sold based on the relative fair value which is allocated between the servicing rights and the loans sold. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income and are evaluated for impairment based on their fair value. Fair value is determined using a discounted value of future cash flows estimation model. The most important assumptions used in the valuation model are the anticipated rate of loan prepayments and discount rates. Assumptions are based on standards used by market participants.

Other Real Estate Owned
Other real estate owned is comprised of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. Other real estate owned is initially recorded at the fair value of the property, less estimated selling costs, which establishes a new cost basis. Loan losses from the acquisition of such properties are charged against the allowance for loan losses. Subsequent to foreclosure, other real estate owned is carried at the lower of cost or fair value less estimated selling costs. Subsequent reductions in the carrying value of such properties are charged to noninterest expense.

Other real estate owned expenses and write-downs are charged to noninterest expense, and realized gains and losses from sales and dispositions are reflected in noninterest income.

Premises and Equipment
Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense using straight-line and declining-balance methods over the estimated useful lives of the related assets, 3 to 39 years, or, for leasehold improvements, at rates based on the terms of the leases, if shorter.

Goodwill and Identifiable Intangible Assets
The assets (including identifiable intangible assets) and liabilities acquired in a business combination are recorded at fair value at the date of acquisition. Goodwill is recognized for the excess of the acquisition cost over the fair values of the net assets acquired. Identifiable intangible finite lived assets are subsequently amortized on a straight-line or accelerated basis, over their estimated lives. Management assesses the recoverability of goodwill at least annually and all intangible assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount exceeds fair value, an impairment charge is recorded to income. There were no such impairments recognized for the years ended December 31, 2022 and 2021.

Derivative Instruments and Hedging Activities
The Company enters into interest rate swap agreements as part of the Company's interest rate risk management strategy for certain assets and liabilities. Based on the Company's intended use for the interest rate swap at inception, the Company designates the derivative as either an economic hedge of an asset or liability or a hedging instrument subject to the hedge accounting provisions of Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 815, "*Derivatives and Hedging.*"

Interest rate swaps designated as economic hedges are recorded at fair value within other assets or liabilities. Changes in the fair value of these derivatives are recorded directly through earnings.

For interest rate swaps that management intends to apply the hedge accounting provisions of Topic 815, the Company formally documents at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking the various hedges. Additionally, the Company uses dollar offset or regression analysis at the hedge's inception and for each reporting period thereafter, to assess whether the derivative used in its hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value or cash flows of the hedged item. The Company discontinues hedge accounting when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value of the derivative in earnings after termination of the hedge relationship.

The Company has characterized all of its interest rate swaps that qualify for hedge accounting under Topic 815 as cash flow hedges. Cash flow hedges are used to minimize the variability in cash flows of assets or liabilities, or forecasted transactions caused by interest rate fluctuations, and are recorded at fair value in other assets or liabilities within the Company's consolidated balance sheets. All changes in the fair value of these cash flow hedges are recorded in accumulated other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings.

Income Taxes
Items of income and expense recognized in different time periods for financial reporting purposes and for purposes of computing income taxes currently payable (temporary differences) give rise to deferred income taxes which are reflected in the consolidated financial statements. A deferred tax asset or liability is recognized for the estimated future tax effects, based upon enacted law, attributed to temporary differences. Deferred income tax assets are reduced for that portion not expected to be realized. As of December 31, 2022 and 2021, management believed that all deferred income tax assets would be realized.

The Company examines its significant income tax positions annually to determine whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. As of December 31, 2022 and 2021, the Company has no significant uncertain tax positions. The tax years 2019 and subsequent, are subject to examination by federal and state taxing authorities. The statute of limitations has expired on the years before 2019. No examinations are currently in process.

The Company recognizes interest and penalties arising from income tax settlements as part of its provision for income taxes.

Cash Flows
For purposes of reporting cash flows, cash and due from banks, federal funds sold, balances due from the Federal Reserve Bank, overnight deposits with the Federal Home Loan Bank ("FHLB"), certificate of deposits and overnight money market investments are included in cash and cash equivalents.

Reclassification
Certain amounts in prior periods have been reclassified to conform with current year presentation. These reclassifications changed only the reporting categories and did not affect the Company's operating results or financial position.

Recent Accounting Pronouncements
The following section includes changes in accounting principles and potential effects of new accounting pronouncements.

ASU No. 2016-02 – Leases (Topic 842): The amendments in this update require lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. Accounting by lessors will remain largely unchanged. The guidance was effective for the Company as of January 1, 2022.

ASU No. 2016-13 – Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires measurement and recognition of expected credit losses for financial assets held. The amendments in this update will be effective for the Company on January 1, 2023. Upon adoption, the Company recorded a cumulative effect adjustment of $800,000 as a reduction to Retained Income.

ASU No. 2018-14, Compensation – Retirement Benefits (Topic 715): "Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans." - The amendments in the ASU remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of certain disclosures, and add disclosure requirements identified as relevant. The guidance was effective for the Company for the year ending December 31, 2022, and the adoption of this guidance did not have a significant impact on the Company's disclosures.

ASU No. 2020-04, Reference Rate Reform (Topic 848) – "Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04") - To ease the potential burden in accounting for recognizing the effects of reference rate reform on financial reporting. Such challenges include the accounting and operational implications for contract modifications and hedge accounting. The provisions in ASU 2020-04 provide optional expedients and exceptions for applying GAAP to loan and lease agreements, contracts, hedging relationships, and other transactions affected by reference rate reform. These provisions apply to contract modifications that reference LIBOR or another reference rate expected to be discounted because of reference rate reform. Qualifying modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate and the modification would be considered "minor" so that any existing unamortized deferred loan origination fees and costs would carry forward and continue to be amortized. Qualifying modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or remeasurements of lease payments that otherwise would be required for modifications not accounted for as separate contracts. ASU 2020-04 also provides numerous optional expedients for hedge accounting.

ASU 2020-04 is effective as of March 12, 2020 through December 31, 2022, with adoption permitted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. In addition, the FASB has proposed extending the final date to apply ASU 2020-04 to December 31, 2024. Once elected, the amendments must be applied prospectively for all eligible contract modifications. The Company is currently evaluating the effect that this ASU will have on the Company's consolidated financial statements.

ASU No. 2022-02, Financial Instruments—Credit Losses (Topic 326): "Troubled Debt Restructurings and Vintage Disclosures." - This ASU eliminates the TDR recognition and measurement guidance and, instead, requires that an entity evaluate (consistent with the accounting for other loan modifications) whether a modification represents a new loan or a continuation of an existing loan. In addition, this ASU enhances existing disclosure requirements and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. For entities that have not yet adopted the amendments in update 2016-13, the effective dates for the amendments in this update are the same as the effective dates in Update 2016-13. The Company has not yet adopted this accounting standard as ASU 2016-13 has not been adopted. Management continues to evaluate the impact of the future adoption of this guidance on the Company's financial statements.

2. MERGERS AND ACQUISITIONS

Merger with Lincoln Bancorp

On July 1, 2022, Ion Financial, MHC completed its merger and acquisition of Lincoln Park Bancorp, MHC pursuant to an agreement and plan of merger dated as of November 23, 2021 (the merger agreement), in which Lincoln Park Bancorp, MHC merged with and into Ion Financial, MHC, with Ion Financial, MHC continuing as the surviving corporation. Lincoln Park Bancorp, MHC was a full-service regional bank headquartered in New Jersey with offices in Montville and Lincoln Park, New Jersey.

The following table summarizes the preliminary allocation of the purchase price to the fair value of identifiable assets acquired and liabilities assumed from Lincoln Park Bancorp, MHC at July 1, 2022:

(In thousands)	Unpaid Principal Balance	Fair Value
Purchase accounting consideration		$ 7,436
Assets:		
Cash and due from banks		790
Interest bearing deposits		40,884
Investment securities available for sale		46,777
Federal Home Loan Bank and Federal Reserve Bank Stock		3,227
Loans:		
Commercial	$ 5,599	4,629
Commercial real estate	45,146	44,349
Residential	67,337	62,679
Home equity	41,650	38,257
Other consumer	193	185
Total loans	$ 159,925	$ 150,099
Deferred tax assets, net		3,781
Premises and equipment		1,934
Bank owned life insurance		6,588
Accrued interest receivable		640
Other assets		1,093
Total assets acquired		$ 255,813
Liabilities:		
Non-interest bearing deposits		$ 39,453
Interest bearing deposits		110,817
Brokered deposits		28,600
Subordinated debt, including accrued interest		5,674
Long-term debt		62,250
Accrued expenses and other liabilities		4,697
Total liabilities assumed		$ 251,491
Net assets acquired		4,322
Goodwill		$ 3,114

In connection with the merger, Ion Financial, MCH recorded $3.1 million of goodwill, which represents the excess of the purchase price over the fair value of the net assets acquired. Information regarding the goodwill and the amortization of the core deposit intangibles can be found within Note 5: Goodwill and Other Intangible Assets.

The following is a description of the valuation methodologies used to estimate the fair values of the significant assets acquired and liabilities assumed:

Cash and due from banks and interest-bearing deposits
The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities available for sale
The fair values for investment securities available for sale were based on quoted market prices, where available. If quoted market prices were not available, fair value estimates are based on observable inputs, including quoted market prices for similar instruments.

Loans
The fair values for loans were estimated using a discounted cash flow methodology that considered factors including the type of loan or lease and the related collateral, classification status, fixed or variable interest rate, remaining term, amortization status, and current discount rates. In addition, the probability of default, loss given default, and prepayment assumptions that were derived based on loan and lease characteristics, historical loss experience, comparable market data, and current and forecasted economic conditions were used to estimate expected credit losses. Loans generally were valued individually. The discount rates used for loans were based on current market rates for new originations or comparable loans and include adjustments for liquidity. The discount rate did not include credit losses as that was included as a reduction to the estimated cash flows.

Premises and equipment
The majority of asset acquired were leasehold improvements related to recently remodeled locations and therefore it was determined that book values represented the fair values. The land and building acquired, were previously under contract and recorded at the contract price, less costs to sell.

Intangible assets
A core deposit intangible (CDI) asset represents the value of relationships with deposit clients. The CDI valuation is determined by the present value of the difference of the net cost of the core deposit base versus the same amount of funds from an alternative funding source. The alternative funding sources considered herein are brokered CDs and FHLB Advances (i.e., funding alternative with the lowest rates), with the rates for specific maturities blended to correspond to the projected life of the core deposit base after assumptions regarding deposit balance attrition are incorporated. The calculation of the fair value of the core deposit base consists of a two-step process: (1) calculating the after-tax value of core deposits in comparison to the alternative cost of funds; and (2) quantifying the tax benefits that would be realized as a result of CDI amortization. The core deposit intangible asset is being amortized over 10 years based upon the period over which the estimated economic benefits are estimated to be received.

Bank-owned life insurance policies
The cash surrender value of these insurance policies is a reasonable estimate of fair value since it reflects the amount that would be realized by the contract owner upon discontinuance or surrender.

Deposits
The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the merger date. The fair values for time deposits were estimated using a discounted cash flow methodology that applies interest rates currently being offered to the contractual interest rates on such time deposits.

Long-term debt
The fair values of long-term debt instruments are estimated based on quoted market prices for the instrument, if available, or for similar instruments, if not available, or by using a discounted cash flow methodology based on current incremental borrowing rates for similar types of instruments.

PCI Loans
Purchased loans and leases that have experienced more-than-insignificant deterioration in credit quality since origination are considered PCI. For PCI loans and leases, the initial estimate of expected credit losses was established through an adjustment to the unpaid principal balance and non-credit discount at acquisition. At acquisition, the unpaid principal balance was $3.6 million with a credit market adjustment of $1.1 million.

All other line items including FHLB stock, FRB stock, deferred tax assets, accrued interest receivable, other assets, subordinated debt, and accrued expenses and other liabilities were recorded at Lincoln Park Bancorp, MHC's carrying value as any difference in fair value would be immaterial.

3. REGULATORY MATTERS

The Federal Reserve, the FDIC and the other federal and state bank regulatory agencies establish regulatory capital guidelines for U.S. banking organizations.

The Company and the Bank are subject to capital rules set forth by the Federal Reserve, the FDIC and the other federal and state bank regulatory agencies (the Basel III Capital Rules).

The Basel III Capital Rules require a minimum common equity Tier 1 capital requirement of 4.5% of risk-weighted assets; a minimum leverage ratio of 4% of total assets; a minimum Tier 1 capital to risk-weighted assets requirement of 6%; and a minimum total capital to risk-weighted assets requirement of 8.0%. A ‘‘well-capitalized” institution must generally maintain capital ratios 200 basis points higher than the minimum guidelines.

The Basel III Capital Rules limit a banking organization's capital distributions and certain discretionary bonus payments to executive officers if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

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 consolidated financial statements.

Management believes, as of December 31, 2022 and 2021, the Company and the Bank meet all capital adequacy requirements to which they are subject. There are no conditions or events since then that management believes have changed this conclusion.

The capital amounts and ratios for the Bank at December 31, 2022 and 2021 were as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Bank			*(Dollars in thousands)*			
December 31, 2022						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 186,334	12.10%	$ 69,305	4.50%	$ 100,107	6.50%
Tier I Leverage Capital to Total Average Assets	186,334	8.74%	85,309	4.00%	106,636	5.00%
Tier I Capital to Risk-Weighted Assets	186,334	12.10%	92,406	6.00%	123,208	8.00%
Total Capital to Risk-Weighted Assets	203,226	13.20%	123,208	8.00%	154,010	10.00%
December 31, 2021						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 162,668	13.99%	$ 52,332	4.50%	$ 75,591	6.50%
Tier I Leverage Capital to Total Average Assets	162,668	9.17%	71,063	4.00%	88,829	5.00%
Tier I Capital to Risk-Weighted Assets	162,668	13.99%	69,776	6.00%	93,035	8.00%
Total Capital to Risk-Weighted Assets	177,223	15.24%	93,035	8.00%	116,293	10.00%

4. INVESTMENT SECURITIES

The tables below present the amortized cost and fair values of investment securities:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Available for sale:				
U.S. Government and agency obligations	$ 9,926	$ 10	$ (146)	$ 9,790
U.S. Treasuries	307,757	7	(12,880)	294,884
Municipal debt securities	22,864	37	(1,425)	21,476
Corporate debt securities	18,195	27	(660)	17,562
Government mortgage-backed securities	97,011	766	(6,746)	91,031
Total available for sale	$ 455,753	$ 847	$ (21,857)	$ 434,743
December 31, 2021				
Available for sale:				
U.S. Government and agency obligations	$ 4,527	$ 40	$ (20)	$ 4,547
U.S. Treasuries	51,261	-	(610)	50,651
Municipal debt securities	15,669	131	(86)	15,714
Corporate debt securities	11,973	118	(2)	12,089
Government mortgage-backed securities	38,528	417	(484)	38,461
Total available for sale	$ 121,958	$ 706	$ (1,202)	$ 121,462

As of December 31, 2022, net unrealized losses on securities available for sale of $16,598,000, were included in accumulated other comprehensive loss, representing the gross net unrealized losses on securities available for sale of $21,010,000, less deferred income taxes of $4,412,000.

As of December 31, 2021, net unrealized losses on securities available for sale of $392,000, were included in accumulated other comprehensive loss, representing the gross net unrealized losses on securities available for sale of $496,000, less deferred income taxes of $104,000.

The following table discloses investment securities with unrealized losses for less than 12 months or for 12 months or more:

	Less Than 12 Months		12 Months or More		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2022						
Available for sale:						
U.S. Government and agency obligations	$ 6,696	$ (133)	$ 776	$ (13)	$ 7,472	$ (146)
U.S. Treasuries	246,218	(7,959)	46,351	(4,921)	292,569	(12,880)
Municipal debt securities	10,933	(313)	6,751	(1,112)	17,684	(1,425)
Corporate debt securities	6,109	(370)	1,710	(290)	7,819	(660)
Government mortgage-backed securities	59,417	(3,144)	17,201	(3,602)	76,618	(6,746)
Total temporarily-impaired securities	$ 329,373	$ (11,919)	$ 72,789	$ (9,938)	$ 402,162	$ (21,857)
December 31, 2021						
Available for sale:						
U.S. Government and agency obligations	$ -	$ -	$ 1,380	$ (20)	$ 1,380	$ (20)
U.S. Treasuries	50,651	(610)	-	-	50,651	(610)
Municipal debt securities	6,214	(81)	145	(5)	6,359	(86)
Corporate debt securities	1,998	(2)	-	-	1,998	(2)
Government mortgage-backed securities	20,202	(387)	3,265	(97)	23,467	(484)
Total temporarily-impaired securities	$ 79,065	$ (1,080)	$ 4,790	$ (122)	$ 83,855	$ (1,202)

There were 270 and 84 investment securities as of December 31, 2022 and 2021, respectively, in which the fair value of the security was less than the amortized cost of the security. Management believes that the unrealized losses at December 31, 2022 are due to changes in market interest rates and not a decline in the credit quality of the issuers. The Company has both the intent and ability to hold these securities for a time necessary to recover the amortized cost.

Investment securities with fair values of $113,414,000 and $26,720,000 as of December 31, 2022 and 2021, respectively, were pledged as security for municipal deposits held by the Company and available Federal Reserve Bank discount window borrowings.

As of December 31, 2022, the amortized cost and fair values of available for sale debt securities, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties:

	December 31, 2022	
(In thousands)	Amortized Cost	Fair Value
Maturity		
One year or less	$ 32,427	$ 31,783
After one year through five years	294,510	282,919
After five years through ten years	29,093	26,301
After ten years	2,712	2,709
	358,742	343,712
Government mortgage-backed securities	97,011	91,031
Total	$ 455,753	$ 434,743

For the year ended December 31, 2022, there were gross realized losses of $371,000 recognized on investment security sales. For the year ended December 31, 2021, gross realized gains of $2,400,000 were recognized on investment security sales.

The following is information related to unrealized gains on equity securities for the year ended December 31, 2022 and 2021:

(In thousands)	2022	2021
Net gains and losses recognized during the year	$ (2,729)	$ 1,995
Less: Net gains and losses recognized during the year on securities sold during the period	(371)	2,379
Unrealized gains and losses recognized during the year on securities still held at December 31	$ (2,358)	$ (384)

The following is information related to unrealized gains on trading securities for the year ended December 31, 2022 and 2021:

(In thousands)	2022	2021
Net gains and losses recognized during the year on trading securities	$ (1,107)	$ 39
Less: Net gains and losses recognized during the year on trading securities sold during the period	(820)	21
Unrealized gains and losses recognized during the year on trading securities still held at December 31	$ (286)	$ 60

5. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Changes in the carrying amount of goodwill and finite-lived identifiable intangible assets are summarized as follows:

(In thousands)	Goodwill	Core Deposit Intangible	Customer Relationship Intangible	Total
Balance, December 31, 2020	$ 5,937	$ -	$ 2,944	$ 8,881
Ion Insurance sale	(3,720)	-	(2,819)	(6,539)
Amortization expense	-	-	(125)	(125)
Balance, December 31, 2021	2,217	-	-	2,217
Lincoln First acquisition	3,114	2,633	-	5,747
Amortization expense	-	(263)	-	(263)
Balance, December 31, 2022	$ 5,331	$ 2,370	$ -	$ 7,701

There was no impairment of goodwill for the years ended December 31, 2022 and 2021.

Estimated amortization expense of identifiable intangible assets for years subsequent to December 31, 2022 is as follows:

(In thousands)	Core Deposit Intangible
2023	$ 474
2024	379
2025	304
2026	243
2027	195
Thereafter	775
Total	$ 2,370

6. FEDERAL HOME LOAN BANK STOCK

The Company, which is a member of the Federal Home Loan Bank of Boston (“FHLB”), held $3,788,000 and $2,069,000 of FHLB capital stock recorded at cost as of December 31, 2022 and 2021, respectively, which is in excess of the minimum required amount.

7. LOANS

Management of the Company believes it has a diversified loan portfolio. The Company grants commercial, residential and consumer loans to customers primarily in the Western half of Connecticut and northern New Jersey. A substantial portion of its loan collateral is dependent upon the real estate sector of the economy. The Company's loan portfolio consisted of:

	December 31,	
(In thousands)	2022	2021
Real estate mortgage loans:		
Residential	$ 293,783	$ 217,750
Commercial	487,892	398,573
Construction	129,157	84,785
Commercial	217,670	198,904
Consumer	283,332	224,127
	1,411,834	1,124,139
Unamortized deferred loan costs, net	3,044	770
Gross loans	$ 1,414,878	$ 1,124,909

The Coronavirus Aid, Relief and Economic Security ("CARES") Act authorized the Small Business Administration to guarantee loans under the Paycheck Protection Program ("PPP"), and the Bank participated in the PPP, providing loans to businesses negatively impacted by COVID-19. As of December 31, 2022 and 2021, PPP loans aggregating $2.1 million and $38.2 million, respectively are included in commercial loans. These loans are eligible for forgiveness under the PPP if the borrowers meet certain criteria under the CARES Act, and in addition, the Small Business Administration guarantees the repayment of any principal and interest that has not been forgiven.

Risk Management

The Company has established credit policies applicable to each type of lending activity in which it engages. The Company evaluates the creditworthiness of each customer and, in most cases, extends credit of up to 80% of the fair value of the collateral at the date of the credit extension, depending on the borrowers' creditworthiness and the type of collateral. The fair value of collateral is monitored on an ongoing basis and additional collateral is obtained when warranted. Real estate is the primary form of collateral. Other important forms of collateral are business assets, time deposits, and marketable securities. While collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment to be based on the borrower's ability to generate continuing cash flows. Private mortgage insurance on residential loans is required for that portion of the loan in excess of 80% of the appraised value of the property.

Credit Quality of Loans and the Allowance for Loan Losses

Management segregates the loan portfolio into portfolio segments to document a systematic method for determining its allowance for loan losses. The portfolio segments are based on loan collateral and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate.

The Company's loan portfolio is segregated into the following portfolio segments:

Residential Real Estate. This portfolio segment consists of the origination of first mortgage loans secured by residential dwellings for personal use located in the Company's market area.

Commercial Real Estate. This portfolio segment includes loans secured by commercial real estate, non-owner occupied one-to-four family and multi-family dwellings for property owners and businesses in the Company's market area.

Loans secured by commercial real estate generally have larger loan balances and more credit risk than owner occupied one-to-four family mortgage loans.

Construction. This portfolio segment includes commercial construction loans for commercial development projects, including condominiums, apartment buildings, and single family subdivisions as well as office buildings, retail and other income producing properties and land loans, which are loans made with land as security. It also includes residential construction loans to individuals to finance the construction of residential dwellings for personal use located in the Company's market area. Construction and land development financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost proves to be inaccurate, the Company may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project proves to be inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment. Construction loans also expose the Company to the risks that improvements will not be completed on time in accordance with specifications and projected costs and that repayment will depend on the successful operation or sale of the properties, which may cause some borrowers to be unable to continue with debt service.

Commercial. This portfolio segment includes commercial business loans secured by real estate, assignments of corporate assets, and personal guarantees of the business owners. Commercial business loans generally have higher interest rates and shorter terms than other loans, but they also may involve higher average balances, increased difficulty of loan monitoring and a higher risk of default since their repayment generally depends on the successful operation of the borrower's business. In addition, commercial loans include PPP loans which are commercial business loans granted under the provisions of the CARES Act which are eligible for forgiveness by, and guaranteed by, the Small Business Administration.

Consumer Loans. This portfolio segment includes home equity loans, home equity lines of credit, purchased consumer loans, loans secured by passbook or certificate accounts, automobiles, as well as unsecured personal loans and lines of credit. This type of loan may entail greater risk than do residential mortgage loans, particularly in the case of loans that are unsecured or secured by assets that depreciate rapidly.

Allowance for Loan Losses

The following table sets forth activity in the allowance for loan losses and loan balances by portfolio segment, disaggregated by impairment methodology:

	Allowance for Loan Losses						
(In thousands)	Residential Real Estate	Commercial Real Estate	Construction	Commercial	Consumer	Unallocated	Total
December 31, 2022							
Beginning balance	$ 1,718	$ 6,031	$ 1,859	$ 2,300	$ 4,889	$ 47	$ 16,844
Charge-offs	-	(1,120)	-	(107)	(3,145)	-	(4,372)
Recoveries	7	1,340	-	78	2,796	-	4,221
Provisions	(154)	(47)	(625)	773	252	51	250
Ending balance	$ 1,571	$ 6,204	$ 1,234	$ 3,044	$ 4,792	$ 98	$ 16,943
Allowance for loans individually evaluated for impairment	$ 241	$ 354	$ -	$ 831	$ 41	$ -	$ 1,467
Allowance for loans collectively evaluated for impairment	1,330	5,850	1,234	2,213	4,751	98	15,476
Total allowance	$ 1,571	$ 6,204	$ 1,234	$ 3,044	$ 4,792	$ 98	$ 16,943
Ending loan balances individually evaluated for impairment	$ 5,611	$ 5,394	$ 214	$ 2,322	$ 357	$ -	$ 13,898
Ending loan balances collectively evaluated for impairment	288,172	482,498	128,943	215,348	282,975	-	1,397,936
Total loans	$ 293,783	$ 487,892	$ 129,157	$ 217,670	$ 283,332	$ -	$ 1,411,834
December 31, 2021							
Beginning balance	$ 2,441	$ 5,748	$ 1,060	$ 2,601	$ 3,702	$ 73	$ 15,625
Charge-offs	-	(204)	-	(424)	(3,125)	-	(3,753)
Recoveries	8	1,196	-	497	2,796	-	4,497
Provisions	(731)	(709)	799	(374)	1,516	(26)	475
Ending balance	$ 1,718	$ 6,031	$ 1,859	$ 2,300	$ 4,889	$ 47	$ 16,844
Allowance for loans individually evaluated for impairment	$ 330	$ 279	$ 1,124	$ 46	$ 39	$ -	$ 1,818
Allowance for loans collectively evaluated for impairment	1,388	5,752	735	2,254	4,850	47	15,026
Total allowance	$ 1,718	$ 6,031	$ 1,859	$ 2,300	$ 4,889	$ 47	$ 16,844
Ending loan balances individually evaluated for impairment	$ 4,474	$ 6,613	$ 6,113	$ 698	$ 399	$ -	$ 18,297
Ending loan balances collectively evaluated for impairment	213,276	391,960	78,672	198,206	223,728	-	1,105,842
Total loans	$ 217,750	$ 398,573	$ 84,785	$ 198,904	$ 224,127	$ -	$ 1,124,139

The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

Credit Quality Indicators

The Company's policies provide for the classification of commercial loans into the following categories: pass, special mention, substandard, doubtful and loss. Consistent with regulatory guidelines, loans that are considered to be of lesser quality are classified as substandard, doubtful, or loss. A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans include those loans characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Loans (or portions of loans) classified as loss are those considered uncollectible and of such little value that their continuance as loans is not warranted. Loans that do not expose us to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve close attention, are required to be designated as special mention.

When loans are classified as special mention, substandard or doubtful, the Company disaggregates these loans and allocates a portion of the related general loss allowances to such loans as the Company deems prudent. The Company might also separately identify certain loans as impaired and allocate specific reserves on an individual loan basis. Determinations as to the classification of loans and the amount of loss allowances are subject to review by the Company's federal and state regulators, which can require that we down-grade loans and/or establish additional loss allowances. The Company regularly reviews its loan portfolio to determine whether any loans require classification in accordance with applicable regulations.

The following tables are a summary of the commercial loan portfolio credit quality indicators by loan class:

	December 31, 2022			December 31, 2021		
(In thousands)	Commercial Real Estate	Commercial	Commercial Construction	Commercial Real Estate	Commercial	Commercial Construction
Grade:						
Pass	$ 457,266	$ 202,131	$ 125,810	$ 363,679	$ 188,069	$ 74,777
Special Mention	20,530	6,613	305	27,062	8,897	475
Substandard	10,096	8,926	332	7,832	1,938	6,229
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 487,892	$ 217,670	$ 126,447	$ 398,573	$ 198,904	$ 81,481

Residential and consumer loans are generally not risk rated and the credit risk profile is based on payment activity.

The following table represents the credit risk profile of these loans:

	December 31, 2022			December 31, 2021		
(In thousands)	Residential Real Estate	Residential Construction	Consumer	Residential Real Estate	Residential Construction	Consumer
Performing	$ 290,499	$ 2,710	$ 282,875	$ 214,802	$ 3,304	$ 223,649
Nonperforming	3,284	-	457	2,948	-	478
Total	$ 293,783	$ 2,710	$ 283,332	$ 217,750	$ 3,304	$ 224,127

Loan Portfolio Aging Analysis
The following tables set forth certain information with respect to the Company's loan portfolio delinquencies by portfolio segment and amounts:

(In thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Loans
December 31, 2022					
Residential real estate	$ 292,300	$ 215	$ 224	$ 1,044	$ 293,783
Commercial real estate	487,700	-	-	192	487,892
Construction	129,158	-	-	-	129,158
Commercial	217,306	-	82	281	217,669
Consumer	281,326	1,135	658	213	283,332
Total	$ 1,407,790	$ 1,350	$ 964	$ 1,730	$ 1,411,834
December 31, 2021					
Residential real estate	$ 216,692	$ -	$ 771	$ 287	$ 217,750
Commercial real estate	398,542	-	-	31	398,573
Construction	79,012	-	-	5,773	84,785
Commercial	198,735	-	10	159	198,904
Consumer	222,735	932	367	93	224,127
Total	$ 1,115,716	$ 932	$ 1,148	$ 6,343	$ 1,124,139

At December 31, 2022 and 2021, there were no loans 90 days or greater past due and still accruing interest.

Loans on Nonaccrual Status
The following table is a summary of nonaccrual loans by portfolio segment:

	December 31,	
(In thousands)	2022	2021
Residential real estate	$ 3,284	$ 2,948
Commercial real estate	1,979	3,119
Construction	214	5,987
Commercial	896	597
Consumer	457	478
Total	$ 6,830	$ 13,129

The amount of income that was contractually due but not recognized on nonperforming loans totaled $320,000 and $542,000 in 2022 and 2021, respectively.

Impaired Loans
An impaired loan generally is one for which it is probable, based on current information, that the Company will not collect all the amounts due under the contractual terms of the loan. Loans are individually evaluated for impairment. When the Company classifies a loan as impaired, it provides a specific allowance for that portion of the asset that is deemed uncollectible.

The following is a summary of impaired loans by portfolio segment:

(In thousands)	Carrying Amount	Unpaid Principal Balance	Associated Allowance	Average Carrying Amount	Interest Income Recognized
December 31, 2022					
No specific allowance recorded:					
Residential real estate	$ 2,023	$ 2,062	$ -	$ 777	$ 34
Commercial real estate	1,896	1,953	-	1,331	71
Construction	214	214	-	214	13
Commercial	442	802	-	1,015	48
Consumer	244	268	-	50	2
Total impaired loans with no specific allowance recorded	4,819	5,299	-	3,387	168
With a specific allowance recorded:					
Residential real estate	$ 3,588	$ 3,636	$ 241	$ 3,655	$ 155
Commercial real estate	3,499	3,499	354	2,719	285
Construction	-	-	-	-	-
Commercial	1,880	1,880	831	361	100
Consumer	112	112	41	264	9
Total impaired loans with a specific allowance recorded	9,079	9,127	1,467	6,999	549
Total impaired loans	$ 13,898	$ 14,426	$ 1,467	$ 10,386	$ 717
December 31, 2021					
No specific allowance recorded:					
Residential real estate	$ 361	$ 399	$ -	$ 194	$ 8
Commercial real estate	2,877	3,969	-	2,954	135
Construction	1,704	2,500	-	5,937	8
Commercial	357	357	-	297	2
Consumer	117	141	-	28	3
Total impaired loans with no specific allowance recorded	5,416	7,366	-	9,410	156
With a specific allowance recorded:					
Residential real estate	$ 4,113	$ 4,161	$ 330	$ 4,201	$ 173
Commercial real estate	3,736	3,736	279	3,810	172
Construction	4,409	4,409	1,124	214	11
Commercial	341	341	46	371	23
Consumer	282	282	39	297	11
Total impaired loans with a specific allowance recorded	12,881	12,929	1,818	8,893	390
Total impaired loans	$ 18,297	$ 20,295	$ 1,818	$ 18,303	$ 546

Troubled Debt Restructurings ("TDRs")

The following table presents loans whose terms were modified under TDRs:

(Dollars in thousands)	Number of Loans	Recorded Investment
December 31, 2022		
Residential real estate	17	$ 2,440
Commercial real estate	8	3,507
Construction	1	214
Commercial	4	598
Consumer	6	213
Total	36	$ 6,972
Nonaccrual TDR's	13	$ 2,682
December 31, 2021		
Residential real estate	19	$ 3,020
Commercial real estate	12	5,748
Construction	2	340
Commercial	2	280
Consumer	7	234
Total	42	$ 9,622
Nonaccrual TDR's	20	$ 4,729

Related Party Loans

In the normal course of business, the Company grants loans to officers, trustees and other related parties. Changes in loans to such related parties were as follows:

	December 31,	
(In thousands)	2022	2021
Balance at beginning of the year	$ 2,723	$ 3,046
New loans/additions	630	551
Change in related party status	(242)	(84)
Repayments	(361)	(790)
Balance at end of year	$ 2,750	$ 2,723

These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with non-related party customers, and did not involve more than the normal risk of collectability. For the years ended December 31, 2022 and 2021, all related party loans were performing. Interest income related to these loans totaled $98,000 and $99,000 in 2022 and 2021, respectively.

8. PREMISES AND EQUIPMENT

The Company's premises and equipment consisted of:

	December 31,	
(In thousands)	2022	2021
Premises and improvements	$ 26,053	$ 23,213
Furniture and fixtures	14,959	14,303
Right of use asset	9,261	-
	50,273	37,516
Less accumulated depreciation and amortization	23,207	22,001
Total	$ 27,066	$ 15,515

9. MORTGAGE SERVICING RIGHTS

Components of mortgage servicing rights included in other assets and changes therein were as follows:

	December 31,	
(In thousands)	2022	2021
Mortgage servicing rights:		
Balance at beginning of year	$ 1,060	$ 1,082
Additions	100	337
Amortization	(235)	(359)
Balance at end of year	$ 925	$ 1,060
Valuation allowance:		
Balance beginning of year	$ -	$ -
Change in valuation allowance	-	-
Balance at end of year	$ -	$ -
Unpaid principal balance of loans serviced for others	$ 183,428	$ 210,900
Fair value of mortgage servicing rights at end of year	$ 1,632	$ 1,561

10. DEPOSITS

The Company's deposits are set forth in the table below:

	December 31,	
(In thousands)	2022	2021
Regular savings	$ 475,735	$ 401,312
Money market	265,777	221,769
NOW & Interest bearing demand deposits	245,449	186,273
Demand deposits	599,795	540,695
	1,586,756	1,350,049
Time deposits maturing in:		
Three months or less	32,977	29,744
Three months to one year	75,965	68,735
One year to three years	54,766	35,807
Over three years	2,488	1,699
	166,196	135,985
Total deposits	$ 1,752,952	$ 1,486,034

As of December 31, 2022 and 2021, time deposits in denominations greater than $250,000 were $9,162,000 and $8,535,000, respectively.

11. BORROWED FUNDS

At December 31, 2022, borrowed funds consisted of FHLB advances and subordinated debt.

FHLB advances aggregated $64,270,000 and $30,000,000 at December 31, 2022 and 2021, respectively. During 2022, the Company terminated $30,000,000 of FHLB borrowings and incurred $642,000 of termination fees which were recognized in service charges, fees and other on the Consolidated Statement of Income. In accordance with an agreement with the FHLB, the Company is required to maintain qualified collateral for the advances. As of December 31, 2022 and 2021, management of the Company believes it was in compliance with the collateral requirements.

As of December 31, 2022, the FHLB advances have a weighted average interest rate of 2.10% and mature within five years.

As a member of the FHLB, the Company has immediate availability to borrow $200,216,000 as of December 31, 2022. The credit line at the FHLB, as of December 31, 2022, was $9,786,000, none of which was outstanding.

In 2017, the Company completed a private placement of $15,000,000 in subordinated debt to certain institutional investors. The debt was issued at a fixed rate of 6.00% for five years and converted to a floating rate thereafter. The debt was paid off on December 30, 2022.

In 2022, the Company completed a private placement of $20,000,000 in subordinated debt to certain institutional investors. The debt was issued at a fixed rate of 7.50% for five years and will convert to a floating rate thereafter. The debt is callable in five years and has a stated maturity date of December 15, 2032. At December 31, 2022, the balance reported in borrowed funds was $19,467,000, net of deferred debt issuance costs of $532,000.

The Company has available federal fund lines of credit with correspondent banks totaling $95,000,000. As of December 31, 2022 and 2021, there were no outstanding advances against the credit lines.

12. EMPLOYEE BENEFITS

Pension and Other Postretirement Benefits

The Company has a noncontributory defined benefit pension plan (the "Plan") covering certain employees. Effective September 1, 2005, only employees who were employed by the Company on August 31, 2005 are eligible to receive benefits from the Plan. The benefits are based on an employee's years of service and average compensation during the three highest of the final ten years of employment, as defined. Contributions are intended to provide not only for benefits attributable to service to date but also for those benefits expected to be earned in the future. On October 21, 2013, the Plan was amended to reflect a "hard freeze," effective December 31, 2013. Under this "hard freeze", employees and retirees receive the benefits already accrued, but no new benefits are accrued after December 31, 2013. Although the freeze did not reduce the Plan's already-accrued obligations, it reduces future costs. The assets will remain in the Plan, and benefits will ultimately be paid out to participants consistent with the provisions of the Plan. The Bank's funding policy is to contribute annually the amount recommended by the Bank's actuary, while meeting the minimum funding standards established by the Employee Retirement Income Security Act of 1974 ("ERISA").

The Bank's obligation to contribute to the Plan does not change after the pension freeze. Both ERISA and the Internal Revenue Code require employers to make minimum annual contributions to defined benefit plans, including frozen plans. The amount of annual contributions required by minimum funding standards is determined in part by the total accrued benefit liability for which the employer is responsible and the Plan's funded status.

Medical, dental and life insurance plans are offered to retiring employees, except employees hired after April 27, 2001, who are not eligible for medical benefits. A retired employee receives life insurance coverage equal to his/her final salary. When a retiree reaches age 70, his/her life insurance coverage is reduced by 33-1/3% and by an additional 33-1/3% upon attaining age 75. Any individual who retired prior to January 1, 1993 will not be required to contribute toward the cost of his or her coverage for medical, dental and life insurance plans. Employees who retire after January 1, 1993 are required to contribute as follows:

- Retirees with less than 15 years of service will pay 100% of the cost of their coverage;
- Retirees with 15 years of service will contribute 52.5% of the cost of their coverage (decreasing by 3.5% for each additional year of service over 15 years); and
- Retirees with at least 30 years of service will not be required to contribute toward the cost of their coverage as long as they elect basic coverage.

Information about the benefit obligations, plan assets and the funded status of these plans and the amounts recognized as liabilities on the consolidated financial statements was as follows:

	Pension Benefits		Other Benefits	
(In thousands)	2022	2021	2022	2021
Benefit obligation	$ (50,492)	$ (65,835)	$ (8,638)	$ (12,224)
Fair value of plan assets	70,701	86,179	-	-
Funded status recognized in other assets (liabilities)	$ 20,209	$ 20,344	$ (8,638)	$ (12,224)
Amounts included in accumulated other comprehensive loss:				
Net unrecognized loss/(gain)	$ 7,429	$ 3,253	$ (912)	$ 2,893

Other information related to these plans for the years ended December 31, 2022 and 2021 are represented in the table below. The service cost component is recognized in salaries and employee benefits and the other net benefit (income) costs are recognized in other non interest expense on the Consolidated Statements of Income.

	Pension Benefits		Other Benefits	
(In thousands)	2022	2021	2022	2021
Sevice cost	$ 40	$ 35	$ 118	$ 139
Other net benefit (income) cost	(4,082)	(2,689)	591	795
Net periodic benefit (income) cost	$ (4,042)	$ (2,654)	$ 709	$ 934
Benefits paid	$ 2,323	$ 2,323	$ 529	$ 364
Employer contributions	$ -	$ -	$ 490	$ 328
Participant contributions	$ -	$ -	$ 39	$ 36
Amounts recognized in other comprehensive income for the period:				
Prior service cost	$ -	$ -	$ -	$ -
Net gain (loss)	(4,177)	10,374	3,805	2,091
	$ (4,177)	$ 10,374	$ 3,805	$ 2,091

At December 31, 2022, the amounts of accumulated other comprehensive loss expected to be recognized in net periodic benefit cost in the next year for the pension and other benefit plans are $(1,962,000) and $(8,000) respectively.

The following is a summary of critical assumptions used in the valuations:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Weighted-average assumptions used in determining the actuarial present value of the projected obligation as of December 31,				
Discount rate	5.25%	2.80%	5.26%	2.85%
Rate of compensation increase	N/A	N/A	3.00%	3.00%
Weighted-average assumptions used in determining the actuarial present value of the net periodic benefit costs				
Discount rate	2.80%	2.45%	2.85%	2.56%
Expected return on plan assets	7.00%	7.00%	N/A	N/A
Rate of compensation increase	N/A	N/A	3.00%	3.00%
Ultimate medical trend rate	N/A	N/A	4.75%	4.75%
Year ultimate trend is achieved	N/A	N/A	2027	2027

The expected return on assets was determined based upon past investment experience and the expectation for future experience. It is expected that a diversified asset portfolio, with significant equity exposure, should be able to return approximately 7% per year over long term investment periods.

For the medical and dental plans, the following healthcare cost trend rates were assumed for 2022 and thereafter: 7%, decreasing to 4.75% by 2027 for all ages. A 1% increase in assumed health care cost trend rates will increase total service and interest costs by $78,000 and the accumulated postretirement benefit obligation by $1,127,000. A 1% decrease in assumed health care cost trend rates will decrease total service and interest costs by $62,000 and the accumulated postretirement benefit obligation by $937,000.

The Company has not yet determined whether a contribution to the Plan will be made in 2023.

Since the postretirement benefit plans are unfunded, the expected employer contribution in 2023 is equal to the Bank's estimated future benefit payment liability, net of any participant contributions.

At December 31, 2022, benefit payments expected to be paid by the noncontributory defined benefit plan and postretirement plans over the next 10 years are as follows:

(In thousands)	Pension Benefits	Other Benefits
2023	$ 2,745	$ 459
2024	2,877	446
2025	2,992	475
2026	3,123	488
2027	3,249	499
Years 2028- 2032	17,454	2,740

Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. In accordance with GAAP the fair value estimates are measured within the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Company's investment goal is to obtain a competitive risk adjustment return on the Pension Plan assets commensurate with prudent investment practices and the Plan's responsibility to provide retirement benefits for its participants, retirees and their beneficiaries. The 2022 target range allocations are as follows: large cap growth and value equities, 40% to 60%; small and mid-cap growth and value equities, 0% to 15%; international equities, 0% to 20%; long term bonds, 0% to 20%; intermediate term bonds, 0% to 30%; and short term bonds, 0% to 20%. The Pension Plan's investment policy designates allowable and prohibited investments that provide guidance regarding investment diversification and other prudent investment practices to limit the risk of loss. The Plan's asset allocation targets are strategic and long-term in nature and are designated to take advantage of the risk reducing impacts of asset class diversification.

Plan assets are periodically rebalanced to their asset class targets to reduce risk and to retain the portfolio's strategic risk/return profile. Investments within each asset category are further diversified with regard to investment style and concentration of holdings.

The fair value of the Company's noncontributory defined benefit pension plan assets by category are listed in the tables below:

(Dollars in thousands)	Total	% of Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022					
Money market funds	$ 1,069	1.5 %	$ 1,069	$ -	$ -
Bond funds	13,405	19.0	13,405	-	-
Equity mutual funds	46,288	65.5	46,288	-	-
U.S. Treasury bonds	497	0.7	497	-	-
Value of interest in pooled separate account	461	0.7	-	461	-
Funds held in insurance company general account	8,981	12.7	-	8,981	-
Total investments, at fair value	$ 70,701	100.0 %	$ 61,259	$ 9,442	$ -
December 31, 2021					
Money market funds	$ 1,470	1.7 %	$ 1,470	$ -	$ -
Bond funds	15,555	18.1	15,555	-	-
Equity mutual funds	55,537	64.4	55,537	-	-
Value of interest in pooled separate account	430	0.5	-	430	-
Funds held in insurance company general account	13,187	15.3	-	13,187	-
Total investments, at fair value	$ 86,179	100.0 %	$ 72,562	$ 13,617	$ -

The primary custodian of plan assets is Broadridge Matrix Trust. The pooled separate account and investment contract with insurance company is maintained with Aetna Life Insurance Company.

The following is a description of the valuation methodologies used for Plan assets measured at fair value:

Money Market Funds, Bond Funds, U.S. Treasury Bonds and Equity Mutual Funds: Values are based on quoted market prices in active markets and are classified as Level 1 assets in the fair value hierarchy.

Value of Interest in Pooled Separate Account: A portion of the Plan's investments are held in a separate account for benefit payment purposes. This disbursement payment account is an unallocated fund stated at withdrawal value. Withdrawal value approximates fair value and represents the amount which is available for withdrawal in a lump sum on the period-end date and would be reduced by outstanding service fees. This investment is classified as a Level 2 asset within the fair value hierarchy.

Funds Held in Insurance Company General Account: A portion of the Plan's investments consist of an immediate participation guarantee contract, which participates in the investment results of a fund that consists of an annuity allocation and an unallocated fund balance. Investments in the annuity allocation portion of the fund account are stated at contract value. Contract value approximates fair value and represents contributions, plus interest at the contract rate, less distributions for benefits and administrative expenses. The contract rate is adjusted periodically based on changes in market rates. The unallocated fund balance of the Plan's regular account fund is stated at withdrawal value. Withdrawal value approximates fair value and represents the amount which is available for withdrawal in a lump sum on the period-end date and would be reduced by outstanding service fees. This investment is classified as a Level 2 asset within the fair value hierarchy.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values.

401(k) Savings Plan

The Company's employees may participate in a 401(k) savings plan. All full-time employees, eighteen years and older, are eligible to participate in the savings plan. Under terms of the savings plan, an employee may contribute from 2% to 40% of his/her annual pretax salary. The Company contributes 50% of each participant's contribution, limited to the first 6% of the participant's salary. Additionally, all full-time employees, eighteen years and older, are eligible for an additional discretionary 5% employer contribution into their 401(k) savings plan. The Company's contributions to this plan were $1,596,000 and $1,529,000 for 2022 and 2021, respectively.

Supplemental Executive Retirement Plans

The Company has entered into various agreements with certain current and retired officers to provide supplemental retirement benefits. The present value of these future payments has been accrued for in accordance with the terms of the various agreements. As of December 31, 2022 and 2021, the total accrued supplemental retirement liabilities included in other liabilities on the Consolidated Balance Sheet were $8,452,000 and $8,667,000, respectively. For 2022 and 2021, net expense for these supplemental retirement benefits amounted to $83,000 and $730,000, respectively.

13. INCOME TAXES

The provision for income taxes, which primarily relates to federal income taxes, consisted of:

	December 31,	
(In thousands)	2022	2021
Current	$ 4,552	$ 4,681
Deferred	124	(315)
Total	$ 4,676	$ 4,366

A reconciliation of the income taxes computed using the federal statutory rate (21%) to those shown in the provision for income taxes follows:

	December 31,	
(In thousands)	2022	2021
Tax provision at statutory rate	$ 4,867	$ 4,625
State taxes (net of federal benefit)	98	1
Decrease in tax resulting from		
Noncontrolling interests	(78)	(126)
Dividends received deduction	(105)	(99)
Other, net	(106)	(35)
Provision for income taxes	$ 4,676	$ 4,366

The components of the net deferred income tax asset were as follows:

	December 31,	
(In thousands)	2022	2021
Deferred tax assets:		
Other retirement benefits	$ 5,078	$ 4,768
Allowance for loan losses	3,587	3,537
Derivatives	-	841
Pension benefits	1,369	-
Investment securities	4,437	-
Net loan market value	1,963	-
Net operating losses	1,606	-
Other	96	98
Total deferred tax assets	18,136	9,244
Deferred tax liabilities:		
Premises and equipment	762	595
Investment securities	-	350
Pension benefits	5,851	3,664
Other	195	223
Total deferred tax liabilities	6,808	4,832
Net deferred tax asset	$ 11,328	$ 4,412

The Bank has a wholly-owned subsidiary which operates as a “passive investment company” (“PIC”) in accordance with Connecticut statutes. The PIC’s activities are limited in scope to holding and managing loans that are collateralized by real estate. Income earned by a PIC is exempt from Connecticut income tax. In addition, any dividends paid by the PIC to the Bank are not taxable income for Connecticut income tax purposes. The Bank regularly transfers qualifying real estate loans that it originates to the PIC to eliminate income otherwise subject to Connecticut income tax. Accordingly, no state tax provision and no state net deferred tax asset or liability has been recorded with respect to the Bank and the PIC. Other subsidiaries included in the consolidated financial statements are subject to Connecticut income tax.

The Company has not provided deferred taxes for the tax reserves for bad debts, of approximately $3,028,000, that arose in tax years beginning before 1988 because it is expected that the requirements of Section 593, as amended by the Small Business Protection Act of 1996, will be met in the foreseeable future.

14. COMMITMENTS AND CONTINGENT LIABILITIES

Cash and Due from Banks Withdrawal and Usage Restrictions
The Company is required to maintain non-interest earning reserves with the Federal Reserve Bank against its transaction accounts offset by the Company’s average vault cash. Effective March 26, 2020, the Federal Reserve reduced reserve requirement ratios to zero percent, and therefore there is no reserve requirement at December 31, 2022 and 2021, respectively.

Off-Balance Sheet Financial Instruments
The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments expose the Company to credit risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Total credit exposure related to these items was:

	December 31,	
(In thousands)	2022	2021
Unadvanced portions of home equity lines of credit	$ 71,984	$ 50,238
Approved residential commitments	1,313	3,284
Approved commercial commitments	107,883	29,365
Unadvanced portions of residential construction loans	1,379	1,363
Unadvanced portions of commercial lines of credit	285,928	290,499
Standby letters of credit	6,593	4,721
Unused portion of overdraft program	15,847	15,025
Unadvanced portions of consumer lines of credit	1,219	47,428
Total commitments	$ 492,146	$ 441,923

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments could expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held is primarily residential property. Interest rates on the Company's loan commitments are both fixed and variable.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in existing loans. The Company holds real estate and marketable securities as collateral supporting those commitments for which collateral is deemed necessary.

Legal Proceedings

The Company is involved in routine legal proceedings occurring in the ordinary course of business, which in the aggregate management believes to be immaterial to the financial condition and results of its operations.

15. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Information about interest rate swap agreements at December 31, 2022 and 2021, are as follows:

(Dollars in thousands)	Notional Amount	Weighted Average Maturity (Years)	Weighted Average Rate Received	Weighted Average Rate Paid	Estimated Fair Value of Asset (Liability)
December 31, 2022					
Economic hedges:					
Forward-starting interest rate swaps with commercial loan customers	$ 57,085	13	6.73%	5.25%	$ (268)
Reverse forward-starting interest rate swaps with counter party	57,085	13	5.25%	6.73%	268
Interest rate swap positions on loans with commercial loan customers	121,684	9	6.44%	4.16%	(11,631)
Reverse interest rate swap positions with counter party	121,684	9	4.16%	6.44%	11,631
Total economic hedges	357,538				-
Total	$ 357,538				$ -
December 31, 2021					
Cash flow hedges:					
Interest rate swap positions on FHLB borrowings	$ 30,000	11	0.10%	2.83%	$ (4,009)
Total cash flow hedges	30,000				(4,009)
Economic hedges:					
Forward-starting interest rate swaps with commercial loan customers	$ 12,750	12	2.17%	3.79%	$ 279
Reverse forward-starting interest rate swaps with counter party	12,750	12	3.79%	2.17%	(279)
Interest rate swap positions on loans with commercial loan customers	85,714	8	2.13%	4.10%	4,092
Reverse interest rate swap positions with counter party	85,714	8	4.10%	2.13%	(4,092)
Total economic hedges	196,928				-
Total	$ 226,928				$ (4,009)

Interest rate swap agreements involve the risk of dealing with Bank customers and/or institutional derivative counterparties and their ability to meet contractual terms. The agreements are entered into with counterparties that meet established credit standards and contain master netting and collateral provisions protecting the at-risk party. Based on adherence to the Company's credit standards and the presence of the netting and collateral provisions, the Company believes that the credit risk inherent in these contracts was not significant at December 31, 2022.

As of December 31, 2022 and 2021, the Company pledged collateral in the form of cash totaling $-0- and $8,865,000 respectively to derivative counterparties. The Company does not typically require its commercial loan customers to post cash or securities as collateral on its program of back-to-back economic hedges discussed in more detail below. However certain language is written into the International Swaps and Derivatives Association Agreement ("ISDA") and loan documents where, in default situations, the Company is allowed to access collateral supporting the loan relationship to recover any losses suffered on the derivative asset or liability. The Company or the counterparties may need to post additional collateral in the future in proportion to potential increases in unrealized loss positions.

Cash Flow Hedges
The unrealized changes in the fair value of derivatives accounted for as cash flow hedges is reported in accumulated other comprehensive income and subsequently reclassified to earnings in the same period or periods during which the hedged forecasted transaction affects earnings.

This hedge strategy converts the LIBOR/SOFR based rate of interest on certain FHLB advances to fixed interest rates, thereby protecting the Company from floating interest rate variability.

Changes in the Consolidated Statements of Comprehensive Income related to interest rate derivatives designated as hedges of cash flows, were as follows:

	Years Ended December 31,	
(In thousands)	2022	2021
Interest rate swaps on FHLB borrowings:		
Unrealized gain recognized in other comprehensive income	$ 4,009	$ 3,528
Net tax (expense) benefit on items recognized in other comprehensive loss	(842)	(741)
Other comprehensive gain recorded in other comprehensive income, net of reclassification adjustments and tax effects	$ 3,167	$ 2,787
Net interest expense recognized in interest expense on hedged FHLB borrowings	$ 682	$ 1,485

Economic Hedges
The Company offers certain derivative products directly to qualified commercial borrowers. The Company economically hedges derivative transactions executed with commercial borrowers by entering into mirror-image, offsetting derivatives with third-party financial institutions. The transaction allows the Company's customer to convert a variable-rate loan to a fixed rate loan. Because the Company acts as an intermediary for its customer, changes in the fair value of the underlying derivative contracts mostly offset each other in earnings. The credit risk associated with the interest rate swap derivatives executed with these customers is essentially the same as that involved in extending loans and is subject to the Company's normal credit policies. The Company obtains collateral, if needed, based upon its assessment of the customers' credit quality. For every variable interest rate swap agreement entered into with a commercial customer, the Company's mirror-image, offsetting derivative is with PNC Bank.

The Company also enters into derivatives with third-party financial institutions to swap a fixed rate of cash flows with variable that are not hedged with mirror-image derivative transactions executed with commercial borrowers. The hedge item in these instances is the entire loan that is also adjusted to fair value. Changes in the fair value of the underlying derivative contract and the related loan mostly offset each other in earnings.

Amounts included in the Consolidated Statements of Income related to economic hedge derivatives, were as follows:

	Years Ended December 31,	
(In thousands)	2022	2021
Economic hedges:		
Interest rate swaps on loans with commercial loan customers:		
Unrealized gain (loss) recognized in other non-interest income	$ 16,270	$ (4,272)
Reverse interest rate swaps on loans with counter party:		
Unrealized loss (gain) recognized in other non-interest income	(16,270)	4,272

16. FAIR VALUE MEASUREMENTS

The Company reports certain assets at fair value in accordance with GAAP, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

Basis of Fair Value Measurements

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Financial Instruments Measured at Fair Value on a Recurring Basis

The Company’s equity securities, available for sale investment securities, trading securities and derivative financial instruments are measured at fair value on a recurring basis. Where quoted prices are available in an active market, financial instruments are classified within Level 1 of the valuation hierarchy. Level 1 financial instruments include exchange-traded equities. If quoted prices are not available, then fair values are estimated by using pricing models (i.e. matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments would include agency mortgage-backed securities and municipal obligations.

The Company utilizes a third party, nationally recognized pricing service ("pricing service") to estimate fair value measurements for its marketable investments (i.e. bonds and stocks). The pricing service evaluates each asset class based on relevant market information considering observable data that may include dealer quotes, reported trades, market spreads, cash flows, the U.S. Treasury yield curve, the LIBOR swap yield curve, trade execution data, market prepayment speeds, credit information and the bond's terms and conditions, among other things. The fair value prices on all investment securities are reviewed for reasonableness by management. Also, management assessed the valuation techniques used by the pricing service based on a review of their pricing methodology to ensure proper hierarchy classifications.

The valuation of the Company's interest rate swaps is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the expected cash flows of each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate curves. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings. The Company has determined that the inputs used to value its interest rate derivatives fall within Level 2 of the fair value hierarchy. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following table details the financial instruments carried at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

(In thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Investments securities available for sale:				
U.S. Government and agency obligations	$ 9,790	$ -	$ 9,790	$ -
U.S. Treasuries	294,884	294,884	-	-
Municipal debt securities	21,476	-	21,476	-
Corporate debt securities	17,562	-	17,562	-
Government mortgage-backed securities	91,031	-	91,031	-
Equity securities	20,823	20,823	-	-
Trading securities	201	-	201	-
Derivative assets	13,196	-	13,196	-
Derivative liabilities	(13,196)	-	(13,196)	-
December 31, 2021				
Investments securities available for sale:				
U.S. Government and agency obligations	$ 4,547	$ -	$ 4,547	$ -
U.S. Treasuries	50,651	50,651	-	-
Municipal debt securities	15,714	-	15,714	-
Corporate debt securities	12,089	-	12,089	-
Government mortgage-backed securities	38,461	-	38,461	-
Equity securities	23,558	23,558	-	-
Trading securities	9,144	3,232	5,912	-
Derivative assets	4,432	-	4,432	-
Derivative liabilities	(8,440)	-	(8,440)	-

There was no movement of financial instruments carried at fair value on a recurring basis between levels during the years ended December 31, 2022 and 2021.

Financial Instruments Measured at Fair Value on a Nonrecurring Basis
The Company's impaired loans and other real estate owned are measured at fair value on a nonrecurring basis.

Impaired loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral-dependent loans calculated in accordance with GAAP when establishing the allowance for credit losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the calculated valuation amount does not necessarily represent the fair value of the loan. Collateral is typically valued using appraisals or other indications of value based on recent comparable sales of similar properties or other assumptions. Estimates of fair value based on collateral are generally based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3.

Certain assets are measured at the lower of cost or fair value that were recognized at fair value which is below cost at the end of the period. Additionally, assets that are not measured at fair value on an ongoing basis are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The Company classifies property acquired through foreclosure or acceptance of deed-in-lieu of foreclosure as other real estate owned in its consolidated financial statements. Upon foreclosure, the property securing the loan is written down to fair value less estimated selling costs. The amount of the write down is measured based upon differences between the appraised value less estimated selling costs and the book value. Appraisals are based upon observable market data such as comparable sale within the real estate market, however assumptions made in determining comparability are unobservable and therefore these assets are classified as Level 3 within the valuation hierarchy.

The following table details the financial instruments carried at fair value on a nonrecurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Bank to determine the fair value:

(In thousands)	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022			
Impaired loans	$ -	$ -	$ 4,125
Purchased credit impaired	-	-	3,010
Other real estate owned	-	-	4,793
December 31, 2021			
Impaired loans	$ -	$ -	$ 9,520
Other real estate owned	-	-	101

The following tables present the valuation methodology and unobservable inputs for Level 3 financial instruments measured at fair value on a nonrecurring basis:

(Dollars in thousands) Asset Type	Fair Value	Valuation Technique	Unobservable Input	Range
December 31, 2022				
Impaired loans	$ 7,135	Real estate appraisals	Discount for dated appraisals or condition of property	10%-20%
			Discount for appraisal type	0-10%
		Asset appraisals	Discount for payment status	25%-30%
			Discount to inventory	35%-50%
			Discount for accounts receivable	50%-65%
Other real estate owned	$ 4,793	Real estate appraisals	Discount for dated appraisals or condition of property	10%-20%

(Dollars in thousands) Asset Type	Fair Value	Valuation Technique	Unobservable Input	Range
December 31, 2021				
Impaired loans	$ 9,520	Real estate appraisals	Discount for dated appraisals or condition of property	10%-20%
			Discount for appraisal type	0-10%
		Asset appraisals	Discount for payment status	25%-30%
			Discount to inventory	35%-50%
			Discount for accounts receivable	50%-65%
Other real estate owned	$ 101	Real estate appraisals	Discount for dated appraisals or condition of property	10%-20%

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following is a summary of the changes in the components of accumulated other comprehensive loss on an after tax basis for the years ended December 31, 2022 and 2021:

(In thousands)	Pension and Postretirement Plan Liabilities	Net Unrealized Gains (Losses) on Debt Securities Available for Sale	Net Unrealized Losses on Derivative Cash Flow Hedges	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2020	$ (14,703)	$ 869	$ (5,954)	$ (19,788)
Other comprehensive loss before reclassifications	9,847	(1,260)	2,787	11,374
Amounts reclassified	-	-	-	-
Current period other comprehensive loss	9,847	(1,260)	2,787	11,374
Balance at December 31, 2021	(4,856)	(391)	(3,167)	(8,414)
Other comprehensive loss before reclassifications	(294)	(16,206)	3,167	(13,333)
Amounts reclassified	-	-	-	-
Current period other comprehensive loss	(294)	(16,206)	3,167	(13,333)
Balance at December 31, 2022	$ (5,150)	$ (16,597)	$ -	$ (21,747)

Item 2b Domestic Branch

Results: A list of branches for your depository institution: ION BANK (ID_RSSD: 407506).
This depository institution is held by ION FINANCIAL MHC (3912766) of NAUGATUCK, CT.
The data are as of 12/31/2022. Data reflects information that was received and processed through 01/10/2023.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
ok		Full Service (Head Office)	407506	ION BANK	251 CHURCH STREET, BOX 370	NAUGATUCK	CT	06770	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	3139853	ANSONIA BRANCH	75 TREMONT STREET	ANSONIA	CT	06401	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	2757595	CHESHIRE BRANCH	218 MAPLE AVENUE	CHESHIRE	CT	06410	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	5338034	FARMINGTON BRANCH	4 MAIN STREET	FARMINGTON	CT	06032	HARTFORD	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	4291646	HAMDEN BRANCH	2989 WHITNEY AVENUE	HAMDEN	CT	06518	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	2799399	MERIDEN EAST MAIN OFFICE BRANCH	1336 EAST MAIN STREET	MERIDEN	CT	06450	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	4302814	MERIDEN WEST BRANCH	500 WEST MAIN STREET	MERIDEN	CT	06451	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	529800	MIDDLEBURY BRANCH	600 MIDDLEBURY ROAD ROUTE 64	MIDDLEBURY	CT	06762	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	1357617	NAUGATUCK BRANCH	87 CHURCH STREET	NAUGATUCK	CT	06770	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Limited Service	4327255	NAUGATUCK HIGH SCHOOL BRANCH	543 RUBBER AVENUE	NAUGATUCK	CT	06770	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	3471218	NEW HAVEN ROAD BRANCH	1430 NEW HAVEN ROAD	NAUGATUCK	CT	06770	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
Close		Full Service	591704	PLAZA BRANCH	727 RUBBER AVENUE	NAUGATUCK	CT	06770	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	264307	OXFORD BRANCH	71 OXFORD RD ROUTE 67	OXFORD	CT	06478	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	3107076	PROSPECT BRANCH	24 WATERBURY ROAD	PROSPECT	CT	06712	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	5656336	SOUTH WINDSOR BRANCH	1751 ELLINGTON ROAD	SOUTH WINDSOR	CT	06074	HARTFORD	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	2879723	SOUTHBURY BRANCH	363 MAIN STREET SOUTH	SOUTHBURY	CT	06488	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	5579257	UNIONVILLE BRANCH	75 MAIN STREET	UNIONVILLE	CT	06085	HARTFORD	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	4460929	WALLINGFORD BRANCH	665 NORTH COLONY ROAD	WALLINGFORD	CT	06492	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Limited Service	5798683	CROSBY HIGH SCHOOL BRANCH	300 PIERPONT ROAD	WATERBURY	CT	06705	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	4413907	WATERBURY EAST BRANCH	3670 EAST MAIN STREET	WATERBURY	CT	06705	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	3300895	WATERBURY WEST BRANCH	910 WOLCOTT STREET	WATERBURY	CT	06705	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	2979977	WATERTOWN BRANCH	544 STRAITS TURNPIKE	WATERTOWN	CT	06795	NEW HAVEN	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	1400746	WOODBURY BRANCH	670 MAIN STREET SOUTH	WOODBURY	CT	06798	LITCHFIELD	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	930871	LINCOLN PARK BRANCH	261 COMLY ROAD	LINCOLN PARK	NJ	07035	MORRIS	UNITED STATES	Not Required	Not Required	ION BANK	407506	
ok		Full Service	5302615	MONTVILLE BRANCH	223 CHANGEBRIDGE ROAD	MONTVILLE	NJ	07045	MORRIS	UNITED STATES	Not Required	Not Required	ION BANK	407506	

Ion Financial, MHC
Report Item 4 – Insiders
12/31/2022

1. Name, City and State

Charles J. Boulier III	Wolcott, CT.
Patrick A. Charmel	Hamden, CT.
David W. Nurnberger	Woodbury, CT.
Gary B. O'Connor	Woodbury, CT.
David J. Rotatori	Naugatuck, CT
William M. Samuelson	Madison, CT.
David F. Scelba	Ship Bottom, N.J.
Andrew K. Skipp	Middlebury, CT.
Michelle M. Stronz	New Haven, CT.
Kathy K. Taylor	Waterbury, CT.
Stephen C. Widman	Middlebury, CT.
Ginger Y. Fennell	New Hartford, CT.
Suzanne Hardy	Prospect, CT.
Anne Rivers	Ellington, CT.
Dana M. Silva	Southbury, CT.

2. Principal Occupation, if other than with the holding company

Charles J. Boulier, III	Retired – CEO, Ion Bank – Naugatuck, CT.
Patrick A. Charmel	President & CEO, Griffin Hospital – Derby, CT.
David W. Nurnberger	Retired - Sr. VP – Boehringer Ingelheim Corp – Ridgefield, CT
Gary B. O'Connor	Partner, Pullman & Comley – Hartford, CT.
William M. Samuelson	EVP, LSQ Funding Group – Orlando, FL.
David F. Scelba	President, Scelba Consulting, LLC – Ship Bottom, NJ.
Andrew K. Skipp	Principal, Simon, Hill & Skipp, LLC – Middlebury, CT.
Michelle M. Stronz	Partner, Formata
Kathy K. Taylor	Professor, Naugatuck Valley Community College, Waterbury, CT.
Stephen C. Widman	M.D., Cardiology Associates – Waterbury, CT

3. Title or position with:

a. holding company;

Charles J. Boulier, III	Chair of the Board, Board of Trustees
Patrick A. Charmel	Board of Trustees
David W. Nurnberger	Board of Trustees
Gary B. O'Connor	Board of Trustees
David J. Rotatori	President & CEO; Board of Trustees
William M. Samuelson	Board of Trustees
David F. Scelba	Board of Trustees
Andrew K. Skipp	Board of Trustees
Michelle M. Stronz	Board of Trustees
Kathy K. Taylor	Board of Trustees
Stephen C. Widman	Board of Trustees
Ginger Y. Fennell	Senior Vice President, Treasurer

Dana M. Silva	Senior Vice President, Secretary
Anne Rivers	Senior Vice President
Suzanne Hardy	Vice President

b. **all direct & indirect subsidiaries**

Charles J. Boulier, III	Ion Bank	Chair of the Board
David J. Rotatori	Ion Bank	Director, President & CEO
	Nutmeg Financial Holdings LLC	Director, President & CEO
	Ion Insurance Corp	Director, President & CEO
	Ion Mortgage Corp	Director, President
	Ion Investment Holding Co	Director, President
Dana M. Silva	Ion Bank	EVP, CAO, Corp Secretary
	Nutmeg Financial Holdings, LLC	SVP, Secretary
	Ion Insurance Corp	Director, SVP, Secretary
	Ion Mortgage Corp	Director, Secretary
	Ion Investment Holding Co.	Director, Secretary
Ginger Y. Fennell	Ion Bank	EVP, CRO, Treasurer
	Nutmeg Financial Holdings, LLC	SVP, Treasurer
	Ion Insurance Corp	Director, SVP, Treasurer
	Ion Mortgage Corp	Director, Treasurer
	Ion Investment Holding Co.	Director, Treasurer
Suzanne Hardy	Ion Bank	SVP, Controller
	Nutmeg Financial Holdings, LLC	SVP
Anne Rivers	Ion Bank	EVP, Chief HR Officer
Patrick A. Charmel	Ion Bank	Board of Director
David W. Nurnberger	Ion Bank	Board of Director
Gary B. O'Connor	Ion Bank	Board of Director
William M. Samuelson	Ion Bank	Board of Director
David F. Scelba	Ion Bank	Board of Director
Andrew K. Skipp	Ion Bank	Board of Director
Michelle M. Stronz	Ion Bank	Board of Director
Kathy K. Taylor	Ion Bank	Board of Director
Stephen C. Widman	Ion Bank	Board of Director

c. Any other company in which the person is a director, trustee, partner or exec.

Charles J. Boulier, III	Director (Chair)	American Savings Foundation
	Director	St. Mary's Hospital Foundation
	Director	Waterbury Regional Chamber of Commerce
	Corporator	Griffin Health
	Director	Ion Bank Foundation
David J. Rotatori	Director	Simply Smiles, Inc.
	Corporator	Griffin Health
	Director	United Way of Naugatuck & Beacon Falls

	President & CEO	Ion Bank Foundation
	Director	Naugatuck Valley Regional Dev. Corp
	Director	CT Community Bankers Assoc.
	Director	FHLBank Boston
Patrick A. Charmel	Director	Connie
	Director	Greater Valley Chamber of Commerce
	Director	CT Health Foundation Board
	Director	Ion Bank Foundation
	Director	Valley United Way
David W. Nurnberger	Director Emeritus	Western CT State University
	Director	Ann's Place, The Home of I Can
	Director	Simply Smiles
	Director	Ion Bank Foundation
Gary B. O'Connor	Co-Chair	CT State Brownfield's Working Group
	Director & Secretary	Loyola Development, Inc.
	Director	Waterbury Regional Chamber of Commerce
	Director	Ion Bank Foundation
William M. Samuelson	Director	Ion Bank Foundation
David F. Scelba	Director	Ion Bank Foundation
Andrew K. Skipp	Director	Flanders Nature Center & Land Trust
	Director	Ion Bank Foundation
	Director	St. Martin In-The-Fields, London: U.S. Foundation
Michelle Stronz	Director	Rever Counsel Storytelling
	Director	Ion Bank Foundation
Kathy K. Taylor	Director	Ion Bank Foundation
	Director	Connecticut Community Foundation
	Founding Member	Waterbury Black Giving Circle
	Director	Waterbury Promise Scholars
Stephen C. Widman	Director	St. Mary's Hospital Foundation
	Director	Ion Bank Foundation
Dana Silva	Director & Treasurer	United Way of Naugatuck & Beacon Falls
	Director	Post College Foundation
	SVP, Secretary	Ion Bank Foundation
Ginger Y Fennell	Director & Treasurer	Rotary Club of Naugatuck
	Director & Treasurer	Rotary Club of Naugatuck Foundation
	SVP, Treasurer	Ion Bank Foundation

4. Percentage of each class of voting securities owned, controlled or held with power to vote in:

a. The holding company

Not applicable

b. Direct and indirect subsidiaries

Not applicable

c. Any other company if 25% or more of its outstanding voting securities or proportionate interest in a partnership are held; list the name of the company and percentage of voting securities

Gary O'Connor	Garden Hill Associates	50%
David J. Rotatori	Equity Property Management LLC	50%
Andrew K. Skipp	Simon, Hill & Skipp, LLC.	100%
David F. Scelba	Scelba Consulting, LLC	100%
Kathy K. Taylor	Kathy Taylor Consulting, LLC.	100%