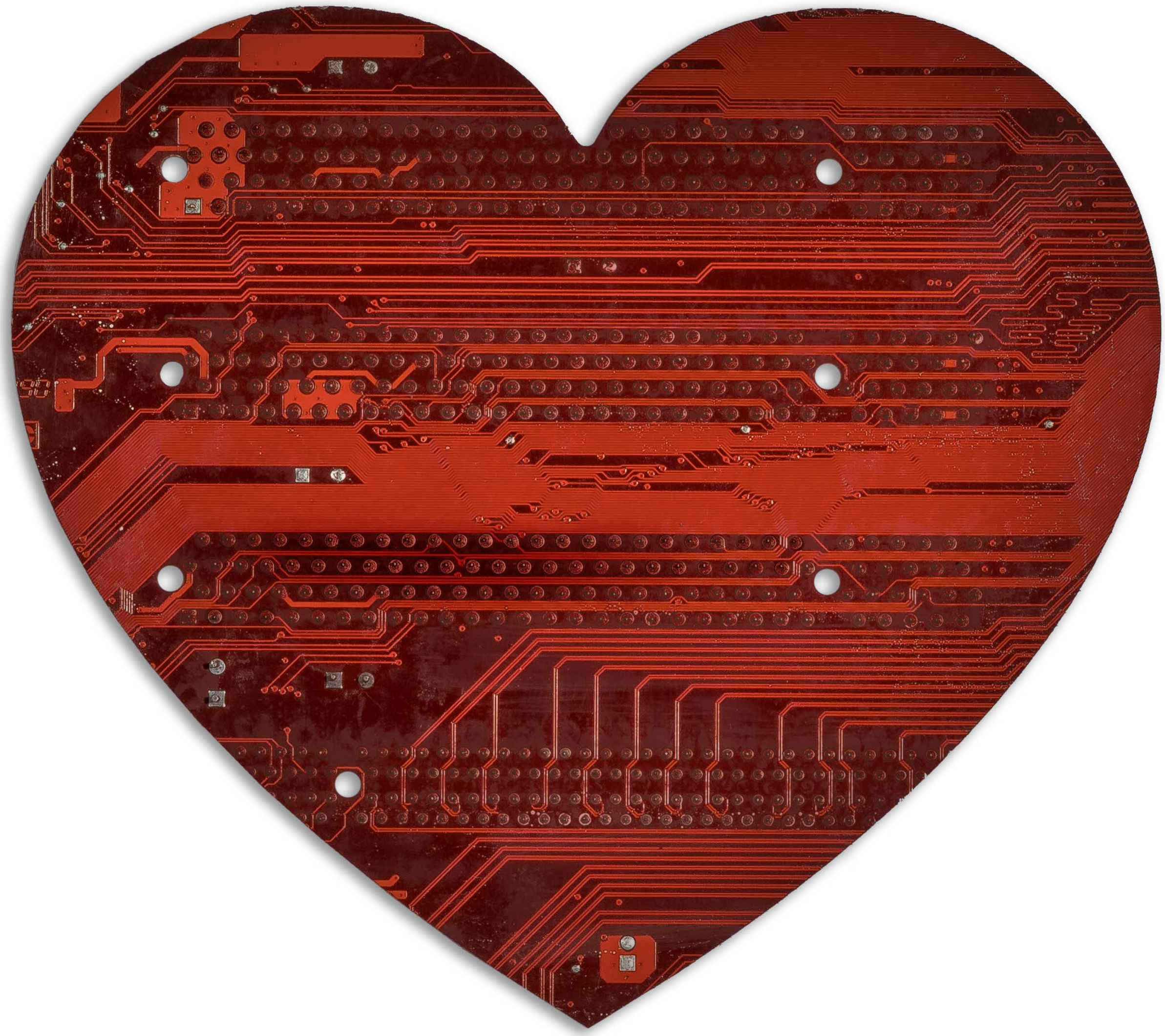
Canandaigua National Corporation



Upgrading our relationships.

2019 ANNUAL REPORT AND FINANCIAL STATEMENTS

Technology is at its best when it benefits people.

What does technology have to do with relationships? Today, plenty.

Customers expect technology to make every aspect of their lives easier and more convenient, including banking. That's why we continue to explore, identify, and implement technology that helps us deliver an exceptional banking and customer service experience across all channels.

We also believe in the personal connection and that our bank office locations enable us to build new relationships and better serve our communities. This delicate balance between "high-tech" and "high-touch" allows us to execute on our community banking model—which is at the heart of everything we do and has proven effective in any financial climate.

We're grateful to our shareholders for their continued faith in this model, to our colleagues who execute it flawlessly, and to our customers who it has served so well since 1887.

February 12, 2020

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

Dear Shareholders,

2019 was another highly profitable and overall financially successful year. On a reported basis, net income and diluted earnings per share increased by 9% to $39.2 million and $20.77, respectively, compared to 2018. On an adjusted basis, to provide a comparison of core earnings, the increases rise to 21%. While there were no significant non-core income or expenses during 2019, the 2018 adjusted results exclude the $4.6 million non-recurring gain on sale of USA Payrolls, Inc., that was discussed in last year's letter. Return on average assets for 2019 was 1.33%, while return on average equity was 15.73%.

Net interest income is a material driver of our financial performance. Four increases in the federal funds interest rate during 2018, totaling 100 basis points (1.00%), had a positive impact on interest income during 2018 and the first portion of 2019. Increases to interest expense (associated with interest-bearing deposit accounts and borrowings) were more moderate during this same period, which amplified the increases in net interest income. Of course, as luck would have it, just as the lag in increases to interest expense was catching up and, to a large extent, locked in for the remainder of 2019, we experienced three 25 basis point (0.25%) decreases of the federal funds interest rate throughout the middle and end of the year. These decreases were unexpected and unplanned going into 2019 when the consensus amongst economic analysts was that the federal funds rate would undergo between two and four 25 basis point increases for the year. The positive impacts to net interest income experienced during the first half of the year were offset by negative impacts during the second half of the year. However, when all the dust settled, net interest income still increased during 2019 by approximately 8%, compared to 2018, and surpassed $100 million for the first time in our history.

Loan growth was nearly 6% during 2019. Commercial loans and residential mortgage loans each increased approximately 7%, while consumer loans (primarily auto) increased 2%. We intentionally held back on the production of auto loans to redeploy assets into higher yielding commercial loans. That is not to discount the efforts of the indirect lending department, as obtaining a 2% increase requires a high level of new loan originations, given this portfolio experiences one of the highest loan turnover (runoff) of CNC's loan portfolios. Credit quality remains exceptional across the loan portfolios.

On the other side of the balance sheet, total deposits increased by nearly 7%. Although the mix of these deposits leaned a bit heavier toward more expensive interest-bearing time deposits, this growth more than supported loan growth for the year. The entire industry has been scrambling for low-cost deposits as loan-to-deposit ratios have steadily increased. The sustained increase in our deposits year after year is the direct result of our branch employees. Give them a high five when you see them!

Our Wealth area ended the year strong despite starting 2019 in a significantly down market. Book value of assets under administration increased nearly 10%, which is fantastic. The increase or decrease of book value is important as it more closely reflects the change in assets under administration as a function of production activities instead of market movement. Nonetheless, the nearly 21% increase experienced in market value of assets under administration is important as this is the basis for deriving revenues, which increased 6% to $21.5 million for the year.

On the legislative front, the credit union industry tried yet again to push legislation allowing them to receive municipal deposits. For the first time that I can remember, a public hearing was held in Albany where proponents on both sides of the issue testified before the State Legislature. Our very own Director, Larry Heilbronner-Kolthoff, testified on behalf of the Independent Bankers Association of New York, among others, against the initiative. Credit unions do not pay income tax, yet expect to hold and leverage those same tax proceeds to which they do not materially contribute. Credit unions have fought quite hard not to be held accountable to the Community Reinvestment Act (CRA), to which banks are accountable. The CRA relates directly to the efforts of financial institutions to serve low to moderate income individuals in their footprint. It is the service of those very individuals which credit unions try to justify their continued corporate welfare, yet they are held unaccountable for such activities. To add further insult to injury, credit unions shelter income from their investment management businesses and other "related activities," which most certainly are not intended to service the low to moderate income demographic. The tone of discussion is beginning to shift as legislators begin to understand that credit unions' "not-for-profit" tax treatment is being conveyed without reporting executive income, nor are credit unions providing a product or service to demographics not otherwise being served by those who pay taxes. It truly is time for credit union corporate welfare to end.

Also, we have been closely watching the marijuana debate at both federal and state levels. More than two-thirds of states currently allow for the production and use of medical marijuana despite the Federal Government's strict prohibition of marijuana. Currently, New York shares all its borders with states that allow medical marijuana. Both Vermont and Massachusetts have legalized marijuana's recreational use, as has the country of Canada! Federal legislators still have not figured out there is a problem here. It is clear that marijuana fails the definition of a drug that has no medical benefit. Marijuana laws throughout the country have been disproportionately enforced and used as a pretext to harass (stop and frisk) a disproportionately high percentage of non-Caucasian citizens. Nonetheless, the Federal Legislature spent its time creating a carve-out for the production and sale of hemp (hemp is marijuana with less than .3% of tetrahydrocannabinol ("THC") by dry weight whereas recreational marijuana contains 2%-4% of THC by dry weight). For banks, this means we can now legally take deposits derived from the production and sale of hemp-based products without being a party to federal money laundering. However, federal financial institutions are still strictly prohibited from doing business with individuals and businesses who derive proceeds from the sale of medical and recreational marijuana. This has resulted in huge amounts of cash circulating outside of the banking system, especially in states where marijuana is legal for recreational use. Ironically, the IRS accepts tax revenue from businesses in legalized marijuana states based upon gross revenue, not net; therefore, the IRS "money launders" prohibited Schedule 1 drug proceeds! Please reach out to your federal representatives and encourage them to declassify cannabis as a Schedule 1 drug. Enough damage has been done by this failed public policy.

The deadline for implementation of the Current Expected Credit Losses (CECL) allowance for loan-loss standard again was delayed or postponed until January 1, 2023, for institutions of our size. This has become an enormously time-consuming issue which we expect to have little effect on the amount held in our allowance.

From a practical standpoint, the industry will end up running two systems for at least a year in order to validate the new CECL accounting standard and still ensure prudent provisioning. The longer we can put off implementing the CECL standards, the clearer "proper" implementation should be defined by the Financial Accounting Standards Board (FASB). The largest financial institutions are currently implementing the standard without fully understanding the effects upon earnings and capital. There is currently bipartisan support for analysis of this accounting standard and its potential effect on the industry, which will likely result in further modifications of the standard as applied to community banks. We will continue to monitor CECL developments as they apply to our organization.

Throughout 2019, we analyzed our processes and workflows throughout the entire organization. There are a surprising number of manual processes occurring in order to perform some of the day-to-day activities of the institution. Although this is common in mature companies in mature industries, it can eventually become an impediment to meeting customer expectations and therefore hurt growth. In 2019, we set the stage and commenced execution of a multiyear plan to significantly upgrade our technical and process infrastructure. This is necessary for enhanced quality control, scalability, and control over the ultimate customer experience. Through the assistance of external resources, we expect to glide through implementation of the requisite changes in a phased approach. As we progress, we will be in a position to retire a number of legacy systems that are redundant or fail to integrate effectively with our technology infrastructure in its future state.

In 2011, we purchased Online Brokerage Services (OBS), a registered investment advisor, from a failed credit union in Texas. We had previously used OBS to gain access to Dimensional Funds Advisor (DFA) portfolios, which we had identified as a high-quality enhanced index investment solution for our customers. The purchase of OBS was a tactical decision to preserve our conduit to DFA. OBS also acted as a Turnkey Asset Management Program (TAMP) for smaller banks and credit unions who wanted to provide investment solutions to their clients but were not of a size to handle the technical and/or governance structures necessary to do so in-house. Thus, OBS could be leveraged to produce assets under management from areas outside our geographic footprint. This strategy served us well for the last nine years; however, due to changes in market factors and a desire to focus more intently on our local strategic mission, we opted to divest this business. Throughout 2019 we had discussions with several suitors, eventually entering into contract with purchaser AssetMark Financial, Inc. Core to this arrangement is to protect and enhance our customers' experience during and after this transition. In short, the sale of OBS will not affect our local customer base, although internal adjustments are being made to accommodate the change. We expect the transaction to close in the first quarter of 2020 or shortly thereafter. While we expect a gain on sale of OBS to be recorded during 2020, recurring net income will not be impacted in a significant manner after this divestiture. Additionally, the $3.7 billion we report as assets under administration will not be impacted, as the assets OBS manages are not included in this figure.

In Brockport, we broke ground for construction of our newest branch location in May 2019. The site is located adjacent to the Brockport Wegmans store on the corner of Routes 31 and 19. We anticipate opening this new location for business in the Spring and are greatly encouraged by the positive reception in the community. The selection of this site is a result of understanding where our customers live, work, and play, and then providing a physical location for them to transact business if they so choose. Please keep your eye open for upcoming announcements as we get closer to our opening date!

In 2019, we planned for the retirement of our Chief Lending Officer and head of Commercial Services, Gary Babbitt. Mr. Babbitt joined CNC in 1996 as a Commercial Lender and transitioned into the role of head of Commercial Services in 2006 and was named Executive Vice President in 2008. As such, he was responsible for lending decisions across all lines of business, as well as Resource Recovery activities. It should be recognized that Mr. Babbitt's tenure spanned the most significant economic downturn experienced since the Great Depression. Our success throughout the Great Recession can be directly attributed to Gary's impeccable judgment and steady hand. The years following the Great Recession presented industry-wide credit quality challenges and margin compression. Our credit quality experience was significantly better than our peers, which materially contributed to our ability to increase earnings and grow while others failed.

To retain Mr. Babbitt's judgment and experience while allowing him to retire, he was appointed a position on the Board of Directors in December 2018. Throughout 2019, Mr. Babbitt worked with his teams to transition roles and responsibilities. Thus, as of January 1, 2020, Charlie Vita succeeded Gary's role as Chief Lending Officer and Executive Vice President. Mr. Vita joined CNC in 2011 as a Commercial Lender with 17 years of banking experience. Michael Mallaber, who joined CNC in 1999 as a Commercial Lender, has taken on the role of Director of Commercial Services. We are very excited to leverage the energy and experience of both Mr. Vita and Mr. Mallaber while continuing to enjoy Gary Babbitt's contributions as a member of the Board of Directors.

It is with great sadness that I disclose the loss of our friend and Director, Richard Fox, who passed away on December 4, 2019. Mr. Fox joined our Board in 2008 in connection with the acquisition of Genesee Valley Trust Company. He brought in-depth business experience, common sense, and a deep understanding of the community to the Board. His quiet-spoken yet direct nature made him an ideal mentor. He will be sorely missed.

On a happier note, in November 2019, Dr. James Watters joined the Board of Directors. Dr. Watters currently serves as Senior Vice President and Treasurer, Finance and Administration, at Rochester Institute of Technology (RIT). At RIT, he is responsible for the direct investment of $250 million of working capital, the administration of the investment process for $948 million of endowment assets–which includes overseeing approval for 10 real estate funds–and the management and issuance of $405 million of public debt. In his senior leadership role, Dr. Watters manages more than 870 staff charged with responsibility for the financial, physical, human capital, and information assets of RIT.

In that capacity, Dr. Watters oversees Information Technology and Security of RIT and brings a wealth of related experience not currently represented on our Board. As we navigate future technology and data security challenges, Dr. Watters' experience and insight will be valuable assets.

Thank you for your continued faith in our community banking model and our people who execute this model flawlessly!

Yours,

Frank H. Hamlin III

Frank H. Hamlin, III
President and CEO

CNC Shareholder Relations

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

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

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

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

Scott B. Trumbower
Senior Vice President
Director of Shareholder Relations
(585) 419-0670 x 50611
STrumbower@CNBank.com

Kirsten Johnson
Shareholder Relations Specialist
(585) 419-0670 x 36067
KJohnson@CNBank.com

Shareholder Relations Team

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

Shareholder Relations is located on the first floor of the Canandaigua National Bank & Trust Main Office in the Wealth Management Suite at 72 South Main Street, Canandaigua, NY 14424.

Shareholder Information

For additional shareholder information, please visit: www.CNBank.com/ShareholderRelations.

Sincerely,

Scott B. Trumbower

Kirsten Johnson

CANANDAIGUA NATIONAL CORPORATION

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2019 Annual Report

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Annual Meeting

The Annual Meeting of Shareholders of Canandaigua National Corporation (the Company) will be held at the Main Office of The Canandaigua National Bank and Trust Company, 72 South Main Street, Canandaigua, NY, 14424; Wednesday, April 29, 2020, at 1:00 p.m.

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

Financial Highlights
(Dollars in thousands except per share data)

	2019	% Change	2018	2017	2016	2015
Income Statement Information:						
Net interest income	$ 100,426	7.6 %	93,307	82,821	76,692	72,852
Provision for loan losses	6,850	(11.9)%	7,775	6,400	4,349	5,695
Non-interest income [1]	51,481	(1.7)%	52,360	44,618	42,615	39,836
Operating expenses	94,472	2.9 %	91,844	82,219	80,467	75,209
Income taxes [2]	11,402	12.6 %	10,131	16,790	11,998	10,793
Net income attributable to CNC	39,178	9.1 %	35,912	22,025	22,488	21,064
Balance Sheet Data - Period End:						
Investments [3]	$ 394,456	(7.0)%	424,282	404,125	336,737	324,043
Loans, net	2,437,588	5.8 %	2,303,449	2,134,000	1,936,026	1,824,761
Assets	3,015,665	5.4 %	2,862,493	2,661,716	2,476,109	2,271,509
Deposits	2,387,940	6.6 %	2,240,985	2,138,894	2,043,625	1,815,383
Borrowings	250,000	(18.1)%	305,100	238,400	160,000	197,100
Equity	265,971	13.8 %	233,659	207,903	194,477	183,606
Balance Sheet Data - Average:						
Investments [3]	$ 401,288	1.0 %	397,446	356,969	316,785	287,571
Loans, net	2,374,738	6.4 %	2,231,890	2,033,273	1,881,095	1,765,500
Assets	2,954,166	6.7 %	2,768,540	2,588,607	2,371,117	2,199,174
Deposits	2,346,916	7.6 %	2,182,049	2,088,167	1,920,052	1,780,577
Borrowings	256,823	(6.3)%	274,118	204,963	165,863	167,949
Equity	249,040	13.7 %	219,017	202,166	188,156	174,399
Asset Under Administration: [4]						
Book value (cost basis)	$ 2,990,944	9.8 %	2,723,804	2,536,458	2,384,877	2,282,952
Market value	3,690,204	20.8 %	3,056,039	3,128,992	2,787,506	2,576,610
Per Share Data:						
Net income, basic	$ 20.91	9.2 %	19.16	11.75	11.97	11.18
Net income, diluted	20.77	9.5 %	18.97	11.58	11.84	11.05
Cash dividends	5.70	18.8 %	4.80	4.30	3.87	3.69
Book Value	142.18	13.9 %	124.85	111.11	103.87	96.77
Closing stock price [5]	204.44	9.0 %	187.54	163.73	153.79	148.72
Weighted average shares - diluted	1,886,218	(0.4)%	1,893,140	1,902,018	1,899,206	1,907,071
Other ratios:						
Return on average assets	1.33 %	2.3 %	1.30 %	0.85 %	0.95 %	0.96 %
Return on average equity	15.73 %	(4.1)%	16.40 %	10.89 %	11.95 %	12.08 %
Return on beginning equity	16.77 %	(2.9)%	17.27 %	11.33 %	12.25 %	12.37 %
Dividend payout	27.44 %	8.4 %	25.31 %	37.14 %	32.68 %	33.41 %
Average equity to average assets	8.43 %	6.6 %	7.91 %	7.81 %	7.94 %	7.93 %
Net interest margin	3.62 %	1.1 %	3.58 %	3.44 %	3.50 %	3.58 %
Efficiency [6]	62.04 %	(0.6)%	62.43 %	64.01 %	66.71 %	65.86 %
Employees (year end)						
Total	572	2.9 %	556	541	533	530
FTE's	536	4.0 %	516	500	491	486

(1) 2018 includes a $4.6 million gain on sale attributable to the minority ownership interest we previously held in USA Payrolls, Inc.

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

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

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

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

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

Our Common Stock

Information about beneficial ownership of the Company's stock by directors and certain officers is set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders. Market value and dividend information is set forth in the table below. The Company currently pays a semi-annual dividend in February and August. We expect to continue to pay cash dividends to our stockholders for the foreseeable future.

While the Company's stock is not actively traded, from time to time, shareholders sell shares to interested persons in sealed-bid public auctions administered by the Company's Trust Department at the request of selling shareholders. Our stock is not listed with a national securities exchange. Due to the limited number of transactions, the quarterly high, low and weighted average sale prices may not be indicative of the actual market value of the Company's stock. The following table sets forth a summary of transactions by selling shareholders and bidders in the Company's common stock during each period for transactions that were administered by the Company's Trust Department. Also included are the book value at quarter end, and semi-annual dividends paid per share since the first quarter of 2015.

	# Shares Sold	Quarterly Average Sales Price	Quarterly High Sales Price	Quarterly Low Sales Price	Quarter-End Book Value	Quarterly Earnings (Diluted)	Dividend Paid
2019							
4th Quarter	3,667	$ 204.44	211.02	203.00	142.18	4.22	-
3rd Quarter	8,851	199.20	209.00	196.00	137.51	5.48	3.00
2nd Quarter	4,555	193.57	202.51	191.00	134.93	5.77	-
1st Quarter	4,800	190.06	200.00	188.00	128.33	5.30	2.70
2018							
4th Quarter	3,275	$ 187.54	197.75	185.00	124.85	3.69	-
3rd Quarter	3,850	181.50	200.00	180.00	119.97	6.25	2.50
2nd Quarter	3,811	179.01	185.00	175.00	116.75	4.45	-
1st Quarter	6,603	165.83	176.00	164.50	112.36	4.58	2.30
2017							
4th Quarter	5,120	$ 163.73	179.00	162.20	111.11	1.80	-
3rd Quarter	3,044	161.88	166.00	160.00	110.00	3.48	2.30
2nd Quarter	4,409	159.25	165.00	153.00	108.76	3.08	-
1st Quarter	2,188	153.81	160.30	152.50	105.48	3.23	2.00
2016							
4th Quarter	6,955	$ 152.86	169.02	150.95	103.87	2.95	-
3rd Quarter	2,231	152.22	155.00	149.00	101.90	3.12	1.95
2nd Quarter	5,996	150.88	155.00	146.00	100.75	3.07	-
1st Quarter	1,439	148.57	150.10	146.00	97.77	2.70	1.92
2015							
4th Quarter	3,673	$ 147.33	151.60	141.00	96.77	3.00	-
3rd Quarter	1,880	142.81	150.00	140.00	93.79	3.33	1.86
2nd Quarter	5,704	145.65	151.00	140.00	92.60	2.96	-
1st Quarter	2,809	147.44	153.00	140.00	89.57	1.76	1.83

Independent Auditors' Report

The Board of Directors and Stockholders
Canandaigua National Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Canandaigua National Corporation, which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canandaigua National Corporation as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

We also have audited in accordance with auditing standards generally accepted in the United States of America, Canandaigua National Corporation's internal control over financial reporting as of December 31, 2019, based on criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA)" and our report dated February 26, 2020 expressed an unmodified opinion.

Other Matter

The financial statements of Canandaigua National Corporation as of December 31, 2018 were audited by other auditors whose report dated March 4, 2019, expressed an unmodified opinion on those statements.

Crowe LLP

Crowe LLP
Livingston, New Jersey
February 27, 2020

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018
(dollars in thousands, except share data)

		2019	2018
Assets			
Cash and due from banks	$	44,892	48,331
Interest-bearing deposits with other financial institutions of which $1,682 and $461 respectively, is restricted		41,062	20,541
Federal funds sold		205	452
Securities:			
- Debt, Available for sale, at fair value		346,657	343,199
- Debt, Held-to-maturity (fair value of $24,475 and $55,227, respectively)		24,333	55,277
- Equity, at fair value		8,743	8,717
Loans held for sale, at lower of cost or fair value		5,524	3,151
Loans, gross		2,459,176	2,325,092
Allowance for loan losses		(21,588)	(21,643)
Loans - net		2,437,588	2,303,449
Premises and equipment – net		14,432	12,892
Accrued interest receivable		10,360	9,249
Federal Home Loan Bank stock and Federal Reserve Bank stock		14,723	17,089
Goodwill		15,570	15,570
Intangible assets – net		435	849
Other assets		51,141	23,727
Total Assets	$	3,015,665	2,862,493
Liabilities and Stockholders' Equity			
Deposits:			
Demand			
Non-interest bearing	$	550,434	519,610
Interest bearing		285,952	267,107
Savings and money market		1,014,033	1,058,364
Time		537,521	395,904
Total deposits		2,387,940	2,240,985
Borrowings		250,000	305,100
Junior subordinated debentures		51,547	51,547
Accrued interest payable and other liabilities		60,207	31,202
Total Liabilities		2,749,694	2,628,834
Equity:			
Canandaigua National Corporation stockholders' equity:			
Preferred stock, $.01 par value; 4,000,000 shares authorized, no shares issued or outstanding		-	-
Common stock, $5.00 par value; 16,000,000 shares authorized, 1,946,496 shares issued		9,732	9,732
Additional paid-in-capital		12,883	12,823
Retained earnings		255,327	227,001
Treasury stock, at cost (76,246 shares and 75,387 shares, respectively)		(12,210)	(11,756)
Accumulated other comprehensive income (loss), net		187	(4,193)
Total Canandaigua National Corporation Stockholders' Equity		265,919	233,607
Noncontrolling interests		52	52
Total Stockholders' Equity		265,971	233,659
Total Liabilities and Stockholders' Equity	$	3,015,665	2,862,493

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2019 and 2018
(dollars in thousands, except per share data)

		2019	2018
Interest income:			
Loans, including fees	$	113,758	100,741
Securities		7,832	7,430
Federal funds sold		23	18
Interest-bearing deposits with other financial institutions		631	88
Total interest income		122,244	108,277
Interest expense:			
Deposits		13,409	6,551
Borrowings		6,094	6,104
Junior subordinated debentures		2,315	2,315
Total interest expense		21,818	14,970
Net interest income		100,426	93,307
Provision for loan losses		6,850	7,775
Net interest income after provision for loan losses		93,576	85,532
Non-interest income:			
Service charges on deposit accounts		18,295	17,924
Trust and investment services		21,497	20,272
Brokerage and investment subadvisory services		3,574	3,990
Net gain on sale of mortgage loans		2,515	2,164
Loan servicing, net		937	885
Loan-related fees		355	377
Loss on securities transactions, net		(120)	(4)
Gain on sale of other investments, net		-	4,531
Other non-interest income		4,428	2,221
Total non-interest income		51,481	52,360
Operating expenses:			
Salaries and employee benefits		55,543	55,008
Technology and data processing		10,289	9,173
Occupancy, net		9,086	8,797
Professional and other services		5,190	4,683
Marketing and public relations		3,588	2,834
Office supplies, printing and postage		1,758	1,859
FDIC insurance		615	1,417
Intangible amortization		414	539
Other real estate operations		172	143
Other operating expenses		7,817	7,391
Total operating expenses		94,472	91,844
Income before income taxes		50.585	46.048
Income taxes		11,402	10,131
Net income		39,183	35,917
Net income attributable to noncontrolling interests		5	5
Net income attributable to Canandaigua National Corporation	$	39,178	35,912
Basic earnings per share	$	20.91	19.16
Diluted earnings per share	$	20.77	18.97

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2019 and 2018
(dollars in thousands)

		2019	2018
Net income	$	39,183	35,917
Other comprehensive income:			
Unrealized net interest rate swaps (losses) gains arising during the year, net of taxes of ($191) and $267 respectively		(551)	772
Unrealized net securities gains (losses) arising during the year, net of taxes of $1,692 and ($115) respectively		4,931	(373)
Other comprehensive income		4,380	399
Total comprehensive income	$	43,563	36,316
Comprehensive income attributable to the noncontrolling interests	$	5	5
Comprehensive income attributable to the Company	$	43,558	36,311

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2019 and 2018
(dollars in thousands, except share data)

	Number of Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non controlling Interests	Total
Balance at December 31, 2017	1,870,713	$ 9,732	12,772	200,693	(11,499)	(3,847)	52	207,903
Reclassification due to the adoption of ASU 2016-01				(81)		81		-
Reclassification due to the adoption of ASU 2018-02				826		(826)		-
Balance at January 1, 2018	1,870,713	9,732	12,772	201,438	(11,499)	(4,592)	52	207,903
Comprehensive income:								
Net income				35,912			5	35,917
Other comprehensive income, net of taxes						399		399
Total comprehensive income		-	-	35,912	-	399	5	36,316
Purchase of treasury stock	(16,235)			-	(2,825)			(2,825)
Sale of treasury stock	926		3		148			151
Shares issued as compensation	1,218		5		194			199
Exercise of stock options	14,487		43	(1,338)	2,226			931
Cash dividend - $4.80 per share				(9,011)				(9,011)
Dividend to noncontrolling interests							(5)	(5)
Balance at December 31, 2018	1,871,109	$ 9,732	12,823	227,001	(11,756)	(4,193)	52	233,659
Reclassification due to the adoption of ASU 2016-02				393				393
Balance at January 1, 2019	1,871,109	9,732	12,823	227,394	(11,756)	(4,193)	52	234,052
Comprehensive income:								
Net income				39,178			5	39,183
Other comprehensive income, net of taxes						4,380		4,380
Total comprehensive income		-	-	39,178	-	4,380	5	43,563
Purchase of treasury stock	(7,301)				(1,423)			(1,423)
Shares issued as compensation	1,424		60		214			274
Exercise of stock options	5,018			(564)	755			191
Cash dividend - $5.70 per share				(10,681)				(10,681)
Dividend to noncontrolling interests							(5)	(5)
Balance at December 31, 2019	1,870,250	$ 9,732	12,883	255,327	(12,210)	187	52	265,971

See accompanying notes to consolidated financial statements.

CANANDAIGUA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018
(dollars in thousands)

	2019	2018
Cash flow from operating activities:		
Net income	$ 39,183	$ 35,917
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	4,996	5,602
Provision for loan losses	6,850	7,775
Loss on sale of fixed and other assets and other real estate, net	(98)	6
Writedown of other real estate	109	118
Deferred income tax expense	314	552
Income from other investments, net	-	(123)
Loss on security transactions, net	126	4
Gain on sale of mortgage loans, net	(2,515)	(2,164)
Originations of loans held for sale	(152,954)	(140,842)
Proceeds from sale of loans held for sale	152,777	145,500
Gain (Loss) on sale of other investments, net	-	(4,531)
Change in other assets	(12,113)	(5,126)
Change in other liabilities	8,532	7,251
(Loss) gain on equity securities	(304)	594
Net change in operating lease right-of-use assets and liabilities	128	-
Net cash provided by operating activities	45,031	50,533
Cash flow from investing activities:		
Debt Securities, available-for-sale:		
Proceeds from maturities and calls	185,750	888
Purchases	(183,556)	(44,480)
Debt Securities, held to maturity:		
Proceeds from maturities and calls	32,108	30,905
Purchases	(1,420)	(1,535)
Equity Securities:		
Proceeds from Sale	278	-
Purchases	-	(4,000)
Loan originations in excess of principal collections, net	(141,131)	(176,698)
Purchase of premises and equipment, net	(4,141)	(1,948)
Sales (Purchases) of Federal Home Loan Bank and Federal Reserve Bank stock	2,367	(3,649)
Proceeds from sale of other investments	-	3,585
Proceeds from sale of other real estate	1,338	255
Net cash used in investing activities	(108,407)	(196,677)
Cash flow from financing activities:		
Net increase (decrease) in demand, savings and money market deposits	5,338	(22,364)
Net increase in time deposits	141,617	124,455
Overnight and short-term borrowings, net	(55,100)	16,700
Proceeds from long-term borrowings	-	50,000
Exercise of stock options	274	354
Payments to acquire treasury stock	(1,423)	(2,825)
Proceeds from issuance of treasury stock under stock option plan	191	927
Dividends paid	(10,686)	(9,016)
Net cash provided by financing activities	80,211	158,231
Net increase in cash and cash equivalents	16,835	12,087
Cash & cash equivalents - beginning of period	69,324	57,237
Cash and cash equivalents - end of period	$ 86,159	$ 69,324
Supplemental disclosure of cash flow information:		
Interest paid	$ 21,331	$ 14,323
Income taxes paid	10,211	8,711
ASC 842 right-of-use asset and lease liability at adoption	20,743	-
Supplemental schedule of noncash investing activities		
Real estate acquired in settlement of loans	$ 141	$ 1,320
Other proceeds from sale of other investments	-	1,035

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Business

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

Basis of Presentation

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

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

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

The Company has evaluated subsequent events through February 27, 2020, the date the financial statements were made available to be issued.

Operating Segments

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

Cash Equivalents

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

Securities

The Company classifies its securities as debt securities available for sale, debt securities held to maturity, or equity securities. The Company does not hold any securities considered to be trading. Debt securities held to maturity are those that the Company has the ability and intent to hold until maturity. Debt securities held to maturity are recorded at amortized cost.

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

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

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

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

Loans

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

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

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

Allowance for Loan Losses

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

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

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

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

Troubled Debt Restructurings

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

Premises and Equipment

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

Other Real Estate

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

Loan Servicing Assets

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

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

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

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

Goodwill and Intangible Assets

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

Intangible assets that have finite useful lives, such as customer relationships, technology, and trade name intangibles, are amortized over their useful lives. Customer relationship intangibles are amortized annually using an accelerated method for up to 15 years. Technology is generally amortized over a five year period also using an accelerated method. Trade name intangible has been amortized on a straight-line basis over three years. Amortization of these assets is reported in other operating expenses. The amortization period is monitored to determine if circumstances require the period to be revised. The Company also periodically reviews its intangible assets for changes in circumstances that may indicate that the carrying amount of the assets are impaired. The Company tests its intangible assets for impairment if conditions indicate that an impairment loss has more likely than not been incurred by evaluating the recoverability of the assets' carrying value using estimates of undiscounted future cash flows over the remaining assets' lives. Any impairment loss is measured by the excess of carrying value over fair value and is recorded in the measured period as additional amortization expense.

Stock-Based Compensation

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

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

Income Taxes

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

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

Derivative Financial Instruments

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

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

Commitments to originate and commitments to sell fixed-rate residential real estate loans are recorded in the consolidated balance sheet at estimated fair value. Neither of these derivative instruments are considered hedges; therefore, periodic changes in the fair value of these instruments are recognized in mortgage banking income in the period in which the change occurs. However, due to the minimal volume and short-term nature of these instruments, the net impact of a change in fair value from the instruments' initially recognized fair value is immaterial.

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

The Company also utilizes interest rate swap agreements for certain variable rate commercial loans whereby the Company and borrowers enter into interest rate swap agreements that result in borrowers paying a fixed rate to the Company and the Company paying a variable rate to borrowers. The transaction allows the borrower to effectively convert a variable rate loan to a fixed rate. The Company then enters into separate interest rate swap agreements having exact opposite matching terms with another financial institution. The Company does not designate either interest rate swap as hedging instruments. Because the terms of the swaps with the borrower and the other financial institution offset each other, with the only difference being counterparty credit risk, changes in the fair value of the underlying derivative contracts are not materially different and do not significantly impact the Company's results of operation. Notional values associated with the interest rate swaps, under agreements with both borrowers and other financial institutions, amounted to $227.1 million and $133.4 million as of December 31, 2019 and 2018, respectively. The fair value is recorded in other assets and other liabilities on the Consolidated Balance Sheets.

Accumulated Other Comprehensive Income (Loss)

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

Treasury Stock

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

Trust and Investment Services Income

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

Earnings per Share

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

New Accounting Standards

On January 1, 2019, the Company adopted *ASU No. 2016-02 "Leases (Topic 842)"* and subsequent amendments thereto, which requires the Company to recognize most leases on the balance sheet. We adopted the standard under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. The Company recognized right-of-use lease assets totaling $20.7 million and related lease liabilities totaling $20.7 million as of January 1, 2019. There was no material impact to the timing of expense in the Company's Consolidated Income Statements. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures about the Company's leasing activities are presented in Note 14 – Leases. The Company recorded $0.4 million cumulative effect adjustment to retained earnings on January 1, 2019 related to the impact of the deferral of the asset sale/leaseback income.

The Financial Accounting Standards Board issues, from time to time, updates containing technical amendments. These updates are generally effective immediately upon their issuance, but have no practical impact on our financial condition or results of operations. Because these are technical in nature, and have no material impact, a summary is not included herein.

(2) Goodwill and Intangibles Assets

The Company had goodwill of $15.6 million as of December 31, 2019 and December 31, 2018. At December 31, 2019, the Company's reporting units had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting units exceeds its carrying value, including goodwill. As a result of the qualitative assessment it was more likely than not that fair value of the reporting units exceeds the carrying value, resulting in no impairment.

Acquisition-related identifiable intangible assets were comprised of the following at December 31, (in thousands):

		2019	2018
Gross carrying amounts		12,156	12,255
Less accumulated amortization		(11,721)	(11,406)
Intangible asset – net	$	435	849

Amortization expense amounted to $0.4 million and $0.5 million for the years ended December 31, 2019 and 2018, respectively. Beginning in 2020, amortization expense will be insignificant in large part due to the expected sale of WBI OBS Financial, LLC.

On September 30, 2019, the Company entered into a definitive agreement to sell WBI OBS Financial, LLC ("OBS") a wholly owned asset management platform in an all cash transaction. The transaction is expected to close in early 2020. In contemplation of this transaction, the Company does not consider this to be a significant change from the current strategy employed by management, nor will the transaction have a material impact on operating results after closing. The Company does anticipate recognizing a gain on the sale. The assets associated with the sale of OBS are not significant and do not meet the Held for Sale criteria, therefore are not separately reported in the Consolidated Balance Sheet. As of December 31, 2019, $0.3 million of identified intangible assets and $6.8 million of goodwill are ascribed to OBS.

(3) Securities

Amortized cost, gross unrealized and unrecognized gains (gross unrealized and unrecognized losses), and fair value of debt securities available-for-sale and debt securities held-to-maturity at December 31, 2019 are summarized as follows:

		2019			
		Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Debt Securities Available for Sale:					
U.S. Treasury	$	3,506	32	-	3,538
U.S. government sponsored enterprise obligations		188,754	22	(438)	188,338
State and municipal obligations		152,869	1,915	(3)	154,781
Total Debt Securities Available for Sale	$	345,129	1,969	(441)	346,657
		Amortized Cost	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
Debt Securities Held to Maturity:					
State and municipal obligations	$	24,055	85	-	24,140
Corporate obligations		278	57	-	335
Total Debt Securities Held to Maturity	$	24,333	142	-	24,475

The amortized cost and fair value of debt securities by years to maturity as of December 31, 2019, is as follows (in thousands). Maturities of amortizing securities are classified in accordance with their contractual repayment schedules. Expected maturities will differ from contractual maturities since issuers may have the right to call or prepay obligations without penalties.

		Available for Sale		Held to Maturity	
		Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Years					
Under 1	$	39,128	39,146	22,412	22,477
1 to 5		247,398	248,889	1,642	1,663
5 to 10		58,040	58,045	2	2
10 and over		563	577	277	333
Total	$	345,129	346,657	24,333	24,475

Amortized cost, gross unrealized gains and unrecognized gains (gross unrealized losses and unrecognized losses), and fair value of debt securities available-for-sale and debt securities held-to-maturity at December 31, 2018 are summarized as follows:

		2018			
		Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Debt Securities Available for Sale:					
U.S. Treasury	$	2,500	13	-	2,513
U.S. government sponsored enterprise obligations		207,614	6	(3,168)	204,452
State and municipal obligations		138,180	70	(2,016)	136,234
Total Debt Securities Available for Sale	$	348,294	89	(5,184)	343,199
		Amortized Cost	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
Debt Securities Held to Maturity:					
State and municipal obligations	$	54,958	11	(207)	54,762
Corporate obligations		319	146	-	465
Total Debt Securities Held to Maturity	$	55,277	157	(207)	55,227

At December 31, 2019, and 2018, securities at amortized cost of $333.3 million and $275.3 million, respectively, were pledged to secure municipal deposits and for other purposes required or permitted by law.

No debt securities available-for-sale or debt securities held-to-maturity were sold in 2019 or 2018.

Interest on securities segregated between taxable interest and tax-exempt interest for the years ended December 31, 2019 and 2018, follows (in thousands):

		2019	2018
Taxable	$	5,138	4,794
Tax-exempt		2,694	2,636
Total	$	7,832	7,430

The following table presents the fair value of securities with gross unrealized or unrecognized losses at December 31, 2019, aggregated by category and length of time that individual securities have been in a continuous loss position (in thousands).

		Less than 12 months		Over 12 months		Total	
Debt Securities Available for Sale		**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury	$	101	-	-	-	101	-
U.S. government sponsored enterprise		61,765	(230)	75,228	(208)	136,993	(438)
State and municipal obligations		393	(1)	3,601	(2)	3,994	(3)
Total temporarily impaired debt securities	$	62,259	(231)	78,829	(210)	141,088	(441)
Debt Securities Held to Maturity		**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**
State and municipal obligations	$	2	-	-	-	2	-
Total temporarily impaired debt securities	$	2	-	-	-	2	-

Substantially all of the unrealized losses on the Company's securities were caused by market interest rate changes from those in effect when the specific securities were purchased by the Company. The contractual terms of these securities do not permit the issuer to settle the securities at a price less than par value. All securities rated by an independent rating agency carry an investment grade rating. Because the Company does not intend to sell securities and it believes it is not likely to be required to sell the securities before recovery of their amortized cost basis, which may be, and is likely to be, maturity, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2019.

The following table presents the fair value of securities with gross unrealized or unrecognized losses at December 31, 2018, aggregated by category and length of time that individual securities have been in a continuous loss position (in thousands).

		Less than 12 months		Over 12 months		Total	
Debt Securities Available for Sale		**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury	$	203	-	100	-	303	-
U.S. government sponsored enterprise		12,036	(22)	182,439	(3,146)	194,475	(3,168)
State and municipal obligations		17,707	(74)	104,083	(1,942)	121,790	(2,016)
Total temporarily impaired debt securities	$	29,946	(96)	286,622	(5,088)	316,568	(5,184)
Debt Securities Held to Maturity		**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**
State and municipal obligations	$	2,182	(5)	49,131	(202)	51,313	(207)
Total temporarily impaired debt securities	$	2,182	(5)	49,131	(202)	51,313	(207)

The total number of security positions in the investment portfolio in an unrealized loss position at December 31, 2019 was 72 compared to 561 at December 31, 2018. At December 31, 2019, the Company had positions in 45 investment securities with a fair value of $78.8 million and a total unrealized loss of $0.2 million that have been in a continuous unrealized loss position for more than 12 months. At December 31, 2019, there were a total of 27 security positions in the Company’s investment portfolio with a fair value of $62.3 million and a total unrealized loss of $0.2 million that had been in a continuous unrealized loss position for less than 12 months. At December 31, 2018, the Company had positions in 499 investment securities with a fair value of $339.7 million and a total unrealized loss of $5.5 million that have been in a continuous unrealized loss position for more than 12 months. At December 31, 2018, there were a total of 70 security positions in the Company’s investment portfolio with a fair value of $34.4 million and a total unrealized loss of $0.6 million that had been in a continuous unrealized loss position for less than 12 months.

(4) Loans and Allowance for Loan Losses

Loans

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

The major classifications of loans at December 31, 2019 and 2018, are as follows (in thousands), along with a description of their underwriting and risk characteristics:

		2019	2018
Commercial and industrial	$	410,649	387,736
Mortgages:			
Commercial		689,515	636,008
Residential - first lien		570,619	523,868
Residential - junior lien		142,241	139,987
Indirect		588,194	576,977
Consumer - Other		38,264	41,648
Total loans		2,439,482	2,306,224
Plus - Net deferred loan costs		19,694	18,868
Less - Allowance for loan losses		(21,588)	(21,643)
Loans - net	$	2,437,588	2,303,449

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

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

Residential First-Lien Mortgages: The Company originates adjustable-rate and fixed-rate, one-to-four-family residential real estate loans for the construction, purchase or refinancing of a mortgage. These loans are collateralized by owner- and non-owner-occupied properties located in the Company’s market area. They are amortized over five to 30 years. Substantially all residential loans secured by first mortgage liens are originated by CNB Mortgage and sold to either the Bank or third-party investors. Generally, fixed-rate mortgage loans with a maturity or call date of ten years or less and a rate of 3.5% or more are retained in the Company’s portfolio. For longer term, fixed-rate residential mortgages without escrow, the Company generally retains the servicing, but sells the right to receive principal and interest to Freddie Mac. All loans not retained in the portfolio or sold to Freddie Mac are sold to unrelated third parties with servicing released. This practice allows the Company to manage interest rate risk, liquidity risk, and credit risk. From time to time, the Company may also purchase residential mortgage loans which are originated and serviced by third parties. In an effort to manage risk of loss and strengthen secondary market liquidity opportunities, management typically uses secondary market underwriting, appraisal, and servicing guidelines. Loans on one-to-four-family residential real estate are mostly originated in amounts of no more than 85% of appraised value or have private mortgage insurance. Mortgage title insurance and hazard insurance are normally required. Construction loans have a unique risk, because they are secured by an incomplete dwelling. This risk is reduced through periodic site inspections, including at each loan draw period.

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

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

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

Commercial loan participations serviced for others amounted to $92.5 million and $80.4 million at December 31, 2019 and 2018, respectively. Residential mortgage loans serviced for Freddie Mac, amounted to $511.2 million and $543.5 million at December 31, 2019 and 2018, respectively. None of these loans are included in the Consolidated Financial Statements or the tables within this Note.

Certain executive officers, directors and their business interests are customers of the Company. Borrowings by these related parties amounted to $4.7 million and $8.4 million at December 31, 2019 and 2018, respectively. During 2019, new borrowings amounted to $0.2 million (including borrowings of executive officers and directors that were outstanding at the time of their election), and repayments and other reductions were $3.9 million.

Allowance for Loan Losses

The following tables present an analysis of the allowance for loan losses by loan type, including a summary of the loan types individually and collectively evaluated for impairment as of December 31, 2019 and, 2018, respectively (in thousands). Notwithstanding the estimated allocations set forth in any table, the entirety of the allowance is available to absorb losses in any portfolio. Loan balances exclude $19.7 million and $18.9 million of net deferred loan costs as of December 31, 2019 and December 31, 2018, respectively.

		2019						
		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Beginning Balance	$	6,319	2,642	1,215	312	9,087	2,068	21,643
Charge-offs		(3,182)	(1,491)	(260)	(1)	(2,711)	(1,553)	(9,198)
Recoveries		211	149	178	7	1,139	609	2,293
Provision		1,779	2,007	145	(59)	1,984	994	6,850
Ending Balance	$	5,127	3,307	1,278	259	9,499	2,118	21,588
of which:								
Amount of allowance for loans individually evaluated for impairment	$	942	562	-	-	-	-	1,504
Amount of allowance for loans collectively evaluated for impairment	$	4,185	2,745	1,278	259	9,499	2,118	20,084
Balance of loans individually evaluated for impairment	$	2,336	4,918	596	804	-	-	8,654
Balance of loans collectively evaluated for impairment	$	408,313	684,597	570,023	141,437	588,194	38,264	2,430,828

		2018						
		Commercial and industrial	**Commercial mortgage**	**Residential mortgage - first lien**	**Residential mortgage - junior lien**	**Indirect**	**Consumer - other**	**Total**
Beginning Balance	$	6,458	1,509	1,265	290	9,482	1,957	20,961
Charge-offs		(5,141)	(125)	(14)	(28)	(2,478)	(1,013)	(8,799)
Recoveries		243	-	21	17	1,068	357	1,706
Provision		5,351	666	(57)	33	1,015	767	7,775
Ending Balance	$	6,911	2,050	1,215	312	9,087	2,068	21,643
of which:								
Amount of allowance for loans individually evaluated for impairment	$	2,346	-	15	-	-	-	2,361
Amount of allowance for loans collectively evaluated for impairment	$	4,565	2,050	1,200	312	9,087	2,068	19,282
Balance of loans individually evaluated for impairment	$	3,569	2,344	591	400	-	-	6,904
Balance of loans collectively evaluated for impairment	$	384,167	633,664	523,277	139,587	576,977	41,648	2,299,320

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

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

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

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

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

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

The following tables present the loan portfolio as of December 31, 2019 and 2018 by credit quality indicator (in thousands). Except for loans in the 9 and unrated categories, credit quality indicators are reassessed for each applicable loan at least annually, generally upon the anniversary of the loan's origination or receipt and analysis of the borrower's financial statements, when applicable, or in the event that information becomes available that would cause us to re-evaluate.

Credit Quality Indicator Analysis as of December 31, 2019

		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Pass-Rated		240,147	635,874	36,425	2,980	-	13,461	928,887
5-Special Mention		4,269	8,229	-	-	-	-	12,498
6-Substandard		8,453	32,642	810	975	-	-	42,880
7-Doubtful		-	-	-	-	-	-	-
8-Loss		-	-	-	-	-	-	-
Subtotal	$	252,869	676,745	37,235	3,955	-	13,461	984,265
9 and not rated		157,780	12,770	533,384	138,286	588,194	24,803	1,455,217
Total	$	410,649	689,515	570,619	142,241	588,194	38,264	2,439,482

Credit Quality Indicator Analysis as of December 31, 2018

		Commercial and industrial	Commercial mortgage	Residential mortgage - first lien	Residential mortgage - junior lien	Indirect	Consumer - other	Total
Pass-Rated	$	225,852	588,271	29,588	3,639	-	9,641	856,991
5-Special Mention		2,547	5,979	-	-	-	-	8,526
6-Substandard		13,220	32,007	1,280	-	-	-	46,507
7-Doubtful		-	-	-	-	-	-	-
Subtotal	$	241,619	626,257	30,868	3,639	-	9,641	912,024
9 and not rated		146,117	9,751	493,000	136,348	576,977	32,007	1,394,200
Total	$	387,736	636,008	523,868	139,987	576,977	41,648	2,306,224

The following table presents, as of December 31, 2019 and December 31, 2018, a summary of information regarding nonaccruing loans and other nonperforming (in thousands):

		2019	2018
Accruing loans 90 days or more delinquent	$	1,470	623
Nonaccruing loans		9,338	7,192
Total nonperforming loans		10,808	7,815
Other real estate owned		141	1,375
(less write-down of other real estate owned)		(32)	(55)
Total nonperforming assets	$	10,917	9,135

The following tables present, as of December 31, 2019 and December 31, 2018, additional details about the loan portfolio in the form of an aging analysis. Amounts exclude deferred fees and costs (in thousands).

2019

		30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	> 90 Days and Accruing	Non-Accrual Loans
Commercial and industrial	$	830	676	2,403	3,909	406,740	410,649	246	2,157
Commercial mortgages		1,439	1,415	5,396	8,250	681,265	689,515	-	5,396
Residential - first lien		5,851	1,050	1,206	8,107	562,512	570,619	396	810
Residential - junior lien		418	237	1,049	1,704	140,537	142,241	74	975
Consumer:									
Indirect		7,339	1,122	693	9,154	579,040	588,194	693	-
Other		325	102	61	488	37,776	38,264	61	-
	$	16,202	4,602	10,808	31,612	2,407,870	2,439,482	1,470	9,338

2018

		30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	> 90 Days and Accruing	Non-Accrual Loans
Commercial and industrial	$	788	127	3,576	4,491	383,245	387,736	7	3,569
Commercial mortgages		1,687	-	2,344	4,031	631,977	636,008	-	2,344
Residential - first lien		6,945	1,071	801	8,817	515,051	523,868	93	708
Residential - junior lien		704	168	734	1,606	138,381	139,987	163	571
Consumer:									
Indirect		6,425	732	342	7,499	569,478	576,977	342	-
Other		113	55	18	186	41,462	41,648	18	-
Total	$	16,662	2,153	7,815	26,630	2,279,594	2,306,224	623	7,192

The details of impaired loans follow (in thousands). "Recorded investment", "Unpaid Principal Balance", and "Specific Related Allowance" are as of the years ended December 31, 2019 and 2018 , respectively. "Average Recorded Investment" is a four-quarter rolling average for the respective periods. "Interest Income Recognized" is for the respective year-to-date periods:

		2019				
With no specific allowance		**Recorded Investment**	**Unpaid Principal Balance**	**Specific Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
Commercial and industrial	$	480	497	-	263	59
Commercial mortgage		4,647	5,081	-	2,666	44
Residential mortgage - first lien		810	899	-	549	33
Residential mortgage - junior lien		975	1,012	-	792	-
Subtotal		6,912	7,489	-	4,270	136
With specific allowance						
Commercial and industrial		1,677	1,719	942	2,779	-
Commercial mortgage		749	798	562	187	-
Residential mortgage - first lien		-	-	-	76	-
Subtotal		2,426	2,517	1,504	3,042	-
Total	$	9,338	10,006	1,504	7,312	136
Summary by portfolio:						
Commercial	$	7,553	8,095	1,504	5,895	103
Residential		1,785	1,911	-	1,417	33
Total	$	9,338	10,006	1,504	7,312	136

		2018				
With no specific allowance		**Recorded Investment**	**Unpaid Principal Balance**	**Specific Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
Commercial and industrial	$	888	892	-	673	-
Commercial mortgage		2,344	2,854	-	2,434	-
Residential mortgage - first lien		603	678	-	1,936	149
Residential mortgage - junior lien		571	575	-	592	-
Subtotal		4,406	4,999	-	5,635	149
With specific allowance						
Commercial and industrial		2,681	3,071	2,346	4,389	-
Residential mortgage - first lien		105	115	15	108	-
Subtotal		2,786	3,186	2,361	4,497	-
Total	$	7,192	8,185	2,361	10,132	149
Summary by portfolio:						
Commercial	$	5,913	6,817	2,346	7,496	-
Residential		1,279	1,368	15	2,636	149
Total	$	7,192	8,185	2,361	10,132	149

Troubled Debt Restructurings (TDR)

The Company has allocated $0.8 million and $1.9 million of specific reserves on TDRs to customers whose loan terms have been modified in TDRs as of December 31, 2019 and December 31, 2018, respectively. The reduction in specific reserves on TDRs is primarily due to the 2019 write-off of one relationship that had been restructured in 2018.

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

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

There were no loans that were modified as TDRs for which there was a payment default within twelve months of modification, during the twelve months ended December 31, 2019 and December 31, 2018.

The following table presents loans by class modified as TDRs during the twelve-month period ended December 31, 2019, (in thousands):

	Number of contracts		Modification -Pre Outstanding Recorded Investment		Modification -Post Outstanding Recorded Investment
Residential mortgage	1	$	161	$	161
Commercial mortgage	2		119		119
Total	3	$	280	$	280

The follow table presents loans by class modified as TDRs during the twelve-month period ended December 31, 2018 (in thousands):

	Number of contracts		Modification -Pre Outstanding Recorded Investment		Modification -Post Outstanding Recorded Investment
Residential mortgage	6	$	1,198	$	1,183
Commercial mortgage	5		4,854		2,935
Total	11	$	6,052	$	4,118

(5) Premises and Equipment

A summary of premises and equipment at December 31, 2019 and 2018, follows (in thousands):

		2019	2018
Land and land improvements	$	962	962
Buildings and leasehold improvements		29,383	28,425
Furniture, fixtures and equipment		23,773	22,552
Projects in process		2,268	487
		56,386	52,426
Less accumulated depreciation		41,954	39,534
Premises and equipment - net	$	14,432	12,892

Depreciation expense amounted to $2.6 million and $2.8 million, for the years ended December 31, 2019 and 2018, respectively.

(6) Time Deposits

At December 31, 2019 the scheduled maturity of time deposits was as follows (in thousands):

2020	$	400,158
2021		116,696
2022		20,667
	$	537,521

Time deposits of $250,000 or more amounted to $249.3 million at December 31, 2019, and $157.8 million at December 31, 2018.

(7) Borrowings

Borrowings amounted to $250.0 million and $305.1 million from the Federal Home Loan Bank of New York for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019, there were no overnight borrowings.

The following tables summarize the Federal Home Loan Bank of New York term borrowings as of December 31, 2019 and 2018:

December 31, 2019
(in thousands)

Type	Maturity Date	Interest Rate		Amount
Term	February 6, 2020	1.81%	$	50,000
Term	February 16, 2021	1.94%		50,000
Term	February 7, 2022	2.28%		50,000
Term	February 10, 2023	3.20%		50,000
Term	February 6, 2024	2.67%		50,000
			$	250,000

December 31, 2018
(in thousands)

Type	Maturity Date	Interest Rate		Amount
Overnight	January 1, 2019	2.60%	$	55,100
Term	February 6, 2020	1.81%	$	50,000
Term	February 16, 2021	1.94%		50,000
Term	February 7, 2022	2.28%		50,000
Term	February 10, 2023	3.20%		50,000
Term	February 6, 2024	2.67%		50,000
			$	305,100

Advances under the overnight line of credit with the FHLB of New York are payable on demand and generally bear interest at the federal funds rate plus 0.10%. The Company also has access to the FHLB's Term Advance Program, which allows the Bank to borrow at various terms and rates, subject to the Bank's pledging of eligible collateral. Advances under the Federal Reserve Bank of New York are payable the following business day and bear interest at the Federal Reserve Bank of New York's discount rate for primary credit, which is generally 0.25% to 1.00% above the target federal funds rate.

The following table presents information about the Company's available lines of credit and related loan collateral at December 31, 2019 (in thousands). Amounts utilized include borrowings, and undrawn letters of credit in the Company's favor of $1.2 million.

		Amount Utilized		Unused	Collateralized by		Carrying Value of Collateral
Federal Home Loan Bank of New York	$	251,245	$	468,623	Residential mortgages	$	400,404
					Commercial mortgages	$	319,464
					FHLB stock	$	12,986
Federal Reserve Bank of New York	$	-	$	755,134	Indirect automobile loans	$	391,161
					Commercial loans and mortgages	$	363,973

(8) Junior Subordinated Debentures and Interest Rate Swap Agreements

In September 2007, the Company issued $20.6 million of unsecured, 30-year junior subordinated deferrable interest debentures (T3) through a wholly-owned business trust. The debentures carried a fixed interest rate of 6.32% per annum for the initial five years, then converted to an adjustable rate for the remaining twenty-five years at LIBOR plus 1.44%, adjustable quarterly (3.33% at December 31, 2019). The debentures' final maturity is December 2037, and became callable, in whole or in part, at par beginning December 2012 at the Company's option, and subject to Federal Reserve Bank of New York approval. Interest is payable quarterly. Interest payments can be deferred for up to five years, but would restrict the Company's ability to pay dividends. At December 31, 2019, these debentures were considered Tier I Capital for regulatory purposes.

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

In June, 2006, the Company issued $30.9 million of unsecured, 30-year floating rate junior subordinated deferrable interest debentures (T2) through a wholly-owned business trust. The debentures carry an interest rate of 3-month LIBOR plus 1.40% (3.29% at December 31, 2019). Other significant terms of the debenture are similar to T3, except the debentures' final maturity is June 2036, and became callable, in whole or in part, at par after June 2012.

As with T3, the Company is exposed to interest rate risk for T2. In order to reduce this risk, the Company has entered into a series of interest rate swap agreements since 2007 with the current agreement effective as of June 15, 2011 and expiring on June 15, 2021. The agreement (notional value of $30.9 million) modifies the repricing characteristics of T2 from a floating-rate debt (LIBOR +1.40%) to a fixed-rate debt (4.81%).

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

(9) Income Taxes

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

	2019	2018
Current:		
Federal	$ 9,270	8,234
State	1,816	1,345
	11,086	9,579
Deferred:		
Federal	272	473
State	44	79
	316	552
	$ 11,402	10,131

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

	2019	2018
Tax expense at statutory rate of 21%	$ 10,625	9,669
Tax-exempt interest	(566)	(554)
Interest expense disallowance	34	19
State taxes, net of Federal benefit	1,470	1,124
Stock options	(118)	(315)
Nondeductible operating expenses	38	37
Change in valuation allowance for deferred tax assets	(26)	(14)
Other	(55)	165
Total	$ 11,402	10,131
Effective tax rate	22.5%	22.0%

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

	2019	2018
Deferred tax assets:		
Allowance for loan losses	$ 5,552	5,563
Incentive stock and retirement plans	2,125	1,917
Stock options	-	49
Depreciation	705	633
Gain on sale of premises and equipment	-	165
Minority-owned entities	85	139
Unrealized loss on securities and swaps, net	328	1,437
Net operating loss carryforwards	1,105	1,166
Right of Use Liability	5,195	-
Deferred tax assets before allowance	15,095	11,069
Valuation allowance	(1,094)	(1,120)
Deferred tax assets	14,001	9,949
Deferred tax liabilities:		
Loan servicing rights	421	499
Intangible assets, net	1,460	1,262
Prepaid expenses	713	439
Unrealized Gain on available-for-sale securities	404	-
Deferred Gain on Sale of Investment	1,005	973
Right of Use Asset	5,175	-
Other	104	103
Deferred tax liabilities	9,282	3,276
Net deferred tax asset	$ 4,719	6,673

Net deferred tax assets are included in other assets. Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of deferred tax liabilities, the level of historical taxable income, and projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets are deductible. Based on its assessment, management determined that a valuation allowance was needed for the federal net operating loss and mortgage recording tax credit carryforwards. The federal net operating loss carryforwards of approximately $5.3 million, which begin to expire in 2026, were generated by a nonbank subsidiary before the subsidiary was included in the Company's consolidated federal tax return. Therefore, their utilization is limited under the Internal Revenue Code and related Treasury Regulations.

The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. No material amount of interest expense was recognized during 2019 and 2018, for any unrecognized tax benefits. The Company is not subject to U.S. Federal tax examinations or state tax examinations for years before 2015.

(10) Stockholder's Equity

Payment of dividends by the Bank to the Company is limited or restricted in certain circumstances. According to federal banking law, the approval of the Office of the Comptroller of the Currency (OCC) is required for the declaration of dividends in any year in which dividends exceed the total of net income for that year plus retained income for the preceding two years. At December 31, 2019, approximately $69.3 million was available for dividends to the Company without the approval of the OCC. Payment of dividends by the Company's non-bank trust subsidiary is also restricted by the OCC, its regulator. No dividends are available for payment by these companies without regulatory approval.

The Company paid a $2.70 per share dividend on common stock to shareholders on February 1, 2019 and a $3.00 per share dividend on common stock to shareholders on August 1, 2019. In 2018, the Company paid a $2.30 per share dividend on common stock to shareholders on February 1, 2018 and a $2.50 per share dividend on common stock to shareholders on August 1, 2018.

(11) Earnings per Share

Basic and diluted earnings per share for the years ended December 31, 2019 and 2018, were computed as follows (in thousands, except share and per-share data):

		2019	2018
Basic Earnings Per Share:			
Net income applicable to Canandiagua National Corporation	$	39,178	35,912
Weighted average common shares outstanding		1,873,206	1,874,555
Basic earnings per share	$	20.91	19.16
Diluted Earnings Per Share:			
Net income applicable to Canandiagua National Corporation	$	39,178	35,912
Weighted average common shares outstanding		1,873,206	1,874,555
Effect of assumed exercise of stock options		13,012	18,584
Total		1,886,218	1,893,139
Diluted earnings per share	$	20.77	18.97

(12) Retirement Plans

Retirement Plans

The Company has a combined profit sharing and 401(k) Plan covering substantially all employees upon completion of 1,000 hours of service. Contributions to the Plan are determined annually by the Company's Board of Directors. The Plan is subject to a minimum contribution of 3% of eligible compensation. It is the Company's policy to annually fund current costs as they accrue. Expenses of the Plan amounted to $3.9 million, and $3.7 million, for the years ended December 31, 2019 and 2018, respectively.

Employee Stock Ownership Plan

The Company has an employee stock ownership plan (ESOP) for employees of the Company. Annual contributions are made at the discretion of the Board of Directors. ESOP expense amounted to $0.4 million and $0.3 million, for each of the years ended December 31, 2019 and 2018, respectively. Shares distributed to a participant upon termination of service are subject to a put option whereby the participant may cause the ESOP's Trust to purchase the shares at fair value. At both December 31, 2019 and 2018, the ESOP held 29,574 and 29,929 shares with an estimated fair value, at the respective dates, of $6.0 million and $5.6 million.

Supplemental Executive Retirement Plans

The Company has two unfunded, non-qualified, supplemental executive retirement plans (SERP) covering certain executives designed to compensate for the portion of cash compensation unable to be included in the profit sharing and 401(k) plan, because of limitations of the plan's design and of the Internal Revenue Code. The Company had accrued a liability of $1.8 million and $1.5 million at December 31, 2019 and 2018, respectively, for these SERPs. Expenses of these SERP's amounted to $301,000 in 2019 and $252,000 in 2018.

(13) Stock-Based Compensation Plans

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

		2019	2018
Stock option plan	$	-	-
Stock appreciation rights plan		1,197	2,639
Pre-tax cost of plans included in salaries and employee benefits expenses	$	1,197	2,639
Amount of related income tax benefit recognized in net income	$	(311)	(686)

Stock Option Plan

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

The following summarizes outstanding and exercisable options at December 31, 2019:

	# Shares Subject to Options		Weighted Average Exercise Price
Options outstanding at beginning of the year	22,630	$	47.82
Granted	-	$	-
Exercised	5,018	$	38.09
Expired	-	$	-
Forfeited	-	$	-
Options outstanding at year end	17,612	$	50.59
Options exercisable at year end	17,612	$	50.59
Options available for future grants	none		

At December 31, 2019, the intrinsic value of outstanding options, all of which were vested, was approximately $2.7 million. The intrinsic value of options exercised during the years ended December 31, 2019 and 2018, were $0.8 million and $1.6 million, respectively. No options were forfeited in 2019. The intrinsic value of options forfeited during the year ended December 31, 2018 was $0.5 million. No options vested in 2019 or 2018.

Options outstanding at December 31, 2019, had exercise prices ranging from $39.41 to $73.46. The weighted average expected life of the options is one year. Since the options have no stated expiration date, the expected life is calculated as the number of years from grant date to the grantee's 65th birthday.

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

Stock Appreciation Rights Plan

The Company has an incentive stock plan for executives which allows for the award of Stock Appreciation Rights (SARs). The number of rights issued is based upon a formula utilizing the compensation of the grantees and actual return on beginning equity relative to the budgeted return for each year. SARs represent the right to receive payment in cash or stock, at the Compensation Committee of the Board of Director’s option, equal to the amount, if any, by which the market value per share of common stock on the date of exercise exceeds the SARs grant price. Long-term SARs are exercisable at the later of age 55 or 15 years of continuous employment with the Company or at normal retirement age (65). Medium-term SARs are exercisable five years from the date of grant or upon retirement. The vesting schedule is consistent with the time periods in which the SARs become exercisable. The following summarizes the activity of these rights as of and for the year ended December 31, 2019.

	Long-term SARs			Medium-term SARs		
	# Rights		Weighted Average Grant Price	# Rights		Weighted Average Grant Price
Rights outstanding, January 1, 2019	62,958	$	130.83	50,537	$	139.53
Granted	14,253	$	187.54	9,502	$	187.54
Exercised	6,520	$	99.32	643	$	129.22
Forfeited	-	$	-	-	$	-
Expired	-	$	-	-	$	-
Rights outstanding at December 31, 2019	70,691	$	145.17	59,396	$	147.33
Rights exercisable at December 31, 2019	43,885	$	130.73	18,960	$	113.72

In February 2019, certain executives were awarded a total of 14,253 long-term SARs and 9,502 medium-term SARs, all at a grant price of $187.54 per share, the then-current market value (based on the most recent public stock sale administered by the Trust Department known to the Company immediately preceding the effective grant date) of the Company's common stock.

During 2019, 6,520 long-term SARs were exercised with a fair value of $654,000, and 643 medium-term SARs were exercised with a fair value of $41,000. During 2018, 4,756 long-term SARs were exercised with a fair value of $349,000, and 10,720 medium-term SARs were exercised with a fair value of $899,000. The fair value of awards vested during years ended December 31, 2019 and 2018, amounted to $307,000 and $231,000, respectively. No SARs were forfeited in 2019. During 2018, 18,212 long-term SARs were forfeited with a fair value of $794,000 and 3,650 medium-term SARs were forfeited with a fair value of $105,000.

The weighted average estimated per-right fair values, as of December 31, 2019 and 2018, are presented below. Fair value was estimated using the Black-Scholes-Merton option-pricing model with the following assumptions. No forfeitures are assumed, as generally none are anticipated for the current outstanding awards.

	2019		**2018**	
Right Type	**LTS**	**MTS**	**LTS**	**MTS**
Per-right fair value	$47.23	$45.20	$51.25	$43.24
Expected dividend yield	2.90%	2.90%	2.69%	2.69%
Risk-free interest rate	1.62%	1.62%	2.53%	2.53%
Expected Life	3.6 years	3.6 years	3.3 years	3.3 years
Volatility	3.30%	3.30%	3.61%	3.61%

Long-term SAR's outstanding and medium-term SARs outstanding (both exercisable and unexercisable) at December 31, 2019, had exercise prices ranging from $78.98 to $187.54. The weighted average expected life of these rights is four years. Since these rights have no stated expiration date, the expected life is calculated as the number of years from grant date to the grantee's 60th birthday, which is the historical life for similar past rights. Based upon current assumptions, the estimated compensation cost related to non-vested rights not yet recognized is $1.9 million, which is expected to be recognized over a weighted average period of five years. The Company had accrued a liability of $6.5 million and $6.0 million at December 31, 2019 and 2018, respectively, representing the accumulated fair-value vested obligation of these rights under the plan.

(14) Leases

The Company's lease portfolio consists primarily of operating leases for real estate property for branches, ATM locations, and office space, with contractual terms expiring from 2020 to 2034. Lease contracts may include one or more renewal options that allow the Company to extend the lease term, typically from one year to five years per each renewal option. The exercise of lease options are generally at the discretion of the Company. None of the Company's leases contain residual value guarantees, substantial restrictions, or covenants.

Supplemental balance sheet information related to the Company's leases as of December 31, 2019 are as follows (in thousands):

Operating lease ROU assets, net of accumulated amortization	$ 20,124
Operating lease liabilities	20,253
Weighted average remaining lease term (in years)	7
Weighted average discount rate	3.06%

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

Fixed payment operating lease expense	$ 3,348
Variable payment operating lease expense	23
Short-term lease expense	7

Supplemental cash flow information related to the Company's leases as of December 31, 2019 are as follows (in thousands):

Cash paid for amounts included in the measurement of lease liabilities	$ 3,232
Amortization of ROU assets	2,735
ROU assets obtained in exchange for new operating lease liabilities	2,116

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

Years ending December 31,	Amount
2020	$ 3,474
2021	3,454
2022	3,470
2023	2,872
2024	2,362
2025 and after	7,007
Total future lease payments	22,639
Less: imputed interest	2,386
Total operating lease liabilities	$ 20,253

(15) Commitments and Contingencies

In the normal course of business, various commitments and contingent liabilities are outstanding. The following table presents the notional amount of the Company's significant commitments and their respective carrying amount, where applicable, for the years ended December 31, 2019 and December 31, 2018. Most of these commitments are not included in the Company's Consolidated Balance Sheets (in thousands).

	2019		2018	
	Notional Amount	Carrying Amount	Notional Amount	Carrying Amount
Commitments to extend credit:				
Commercial lines of credit	$ 264,425	-	230,419	-
Commercial real estate and construction	88,926	-	85,189	-
Residential real estate at fixed rates	4,578	-	4,706	-
Home equity lines of credit	454,673	-	425,785	-
Unsecured personal lines of credit	26,936	-	27,204	-
Standby and commercial letters of credit	4,990	(75)	5,066	(76)
Commitments to sell real estate loans	5,524	-	3,151	-

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

Commitments to originate fixed-rate loans are made when a borrower executes a rate-lock agreement. At the time of execution, the Company generally charges a rate-lock fee, which approximates the fair value of the Company's commitment. These commitments usually have terms ranging from 45 to 90 days. Concurrently, the Company enters into commitments to sell certain fixed-rate residential real estate loans (usually those subject to the foregoing rate-locks). These commitments to sell are recorded in the consolidated balance sheet at estimated fair value.

The Company has committed $3.0 million as a limited partnership investment to Cephas Capital Partners II and $3.0 million to Cephas Capital Partners III. This Small Business Investment Company (SBIC) is a community-bank backed mezzanine finance company. They are follow-on investments to our current investment in Cephas Capital Partners. At December 31, 2019, the Company has remaining unfunded commitments of $1.5 million with Cephas Capital Partners II and $2.7 million with Cephas Partners III. These investments are carried in Other Assets on the Consolidated Balance Sheets.

The Company has committed $0.5 million for an investment in Trillium Lakefront Partners, LLC. This venture capital fund is a community-backed initiative in support of new business and job growth in the Company's market area. At December 31, 2019, the Company had a remaining unfunded commitment of less than $0.1 million. This investment is carried in Other Assets on the Consolidated Balance Sheets.

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

(16) Regulatory Matters

The Company and its subsidiaries are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its subsidiaries must meet specific capital guidelines that involve quantitative measures of the Company's and Bank's assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (as set forth in the table following) of total, Common Equity Tier I, and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Under the BASEL III Capital Rules, a capital conservation buffer was implemented, which must be added to each of the minimum capital ratios and is designed to absorb losses during periods of economic stress. The capital conservation buffer began being phased-in on January 1, 2016 and will range from 0.625% in 2016 to 2.5% when fully phased-in. If a banking organization fails to hold capital above minimum capital ratios, including the capital conservation buffer, it will be subject to certain restrictions on capital distributions and discretionary bonus payments. Management believes, as of December 31, 2019, that the Company and Bank met all capital adequacy requirements to which they are subject. The Company's trust subsidiary, Canandaigua National Trust Company of Florida, must also meet minimum capital requirements as set forth by their regulators. As of December 31, 2019, it complied with its minimum capital requirements.

As of December 31, 2019, and as of the most recent notification from regulators, the Bank is well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain a minimum total risk-based, Common Equity Tier I risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. Subsequently, there have been no conditions or events which management believes has changed the Bank's category.

	Regulatory Capital as of December 31, 2019							
	Actual Regulatory Capital		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased-In		Required to be Considered Well-Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Leverage capital (Tier 1) as percent of three-month average assets:								
Company	$ 307,402	10.24%	$ 120,071	4.00%	$ 120,071	4.00%	N/A	N/A
Bank	$ 288,601	9.67%	$ 119,393	4.00%	$ 119,393	4.00%	$ 149,241	5.00%
As percent of risk-weighted, period-end assets								
Core capital (Common Equity Tier 1)								
Company	$ 255,855	10.89%	$ 164,489	7.00%	$ 164,489	7.00%	N/A	N/A
Bank	$ 288,601	12.32%	$ 163,931	7.00%	$ 163,931	7.00%	$ 152,221	6.50%
Core capital (Tier 1)								
Company	$ 307,402	13.08%	$ 199,736	8.50%	$ 199,736	8.50%	N/A	N/A
Bank	$ 288,601	12.32%	$ 199,059	8.50%	$ 199,059	8.50%	$ 187,349	8.00%
Total capital (Tiers 1 and 2)								
Company	$ 328,990	14.00%	$ 246,733	10.50%	$ 246,733	10.50%	N/A	N/A
Bank	$ 310,189	13.25%	$ 245,896	10.50%	$ 245,896	10.50%	$ 234,187	10.00%

	Regulatory Capital as of December 31, 2018							
	Actual Regulatory Capital		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased-In		Required to be Considered Well-Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Leverage capital (Tier 1) as percent of three-month average assets:								
Company	$ 272,179	9.62%	$ 113,138	4.00%	$ 113,138	4.00%	N/A	N/A
Bank	$ 262,129	9.35%	$ 112,183	4.00%	$ 112,183	4.00%	$ 140,229	5.00%
As percent of risk-weighted, period-end assets								
Core capital (Common Equity Tier 1)								
Company	$ 220,632	9.46%	$ 148,648	6.38%	$ 163,222	7.00%	N/A	N/A
Bank	$ 262,129	11.30%	$ 147,876	6.38%	$ 162,373	7.00%	$ 150,775	6.50%
Core capital (Tier 1)								
Company	$ 272,179	11.67%	$ 183,624	7.88%	$ 198,198	8.50%	N/A	N/A
Bank	$ 262,129	11.30%	$ 182,670	7.88%	$ 197,168	8.50%	$ 185,570	8.00%
Total capital (Tiers 1 and 2)								
Company	$ 293,822	12.60%	$ 230,259	9.88%	$ 244,832	10.50%	N/A	N/A
Bank	$ 283,772	12.23%	$ 229,062	9.88%	$ 243,560	10.50%	$ 231,962	10.00%

(17) Fair Values of Financial Instruments

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

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

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

The estimated fair values and the valuation hierarchy of the Company's financial instruments as of December 31, 2019 and December 31, 2018 are as follows (in thousands):

			2019		2018	
Financial Assets:	Fair Value Hierarchy		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents	1	$	86,159	86,159	69,324	69,324
Equity securities	1		8,743	8,743	8,717	8,717
Debt securities, available-for-sale	1, 2		346,657	346,657	343,199	343,199
Debt securities, held-to-maturity	2		24,333	24,475	55,277	55,227
FHLB stock and Federal Reserve Bank stock	3		14,723	N/A	17,089	N/A
Loans held for sale	2		5,524	5,592	3,151	3,194
Loans-net	3		2,437,588	2,439,130	2,303,449	2,272,887
Financial Liabilities:						
Deposits:						
Demand, savings and money market accounts	1	$	1,850,419	1,850,419	1,845,081	1,845,081
Time deposits	2		537,521	533,413	395,904	398,588
Borrowings	2		250,000	243,249	305,100	297,692
Junior subordinated debentures	2		51,547	48,151	51,547	45,314
Other financial instruments:						
Interest rate swap agreements, net	2	$	1,275	1,275	626	626
Letters of credit	2		75	75	76	76

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Equivalents

For these short-term instruments that generally mature in 90 days or less, or carry a market rate of interest, the carrying value approximates fair value.

Securities

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

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

There is no market for stock issued by the Federal Home Loan Bank or the Federal Reserve Bank. Member banks are required to hold this stock. Shares can only be sold to the issuer at par.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by interest type such as floating, adjustable, and fixed-rate, and by portfolios such as commercial, mortgage, and consumer.

The fair value of performing loans is calculated using an exit price notion. The Company's valuation methodology is determined by discounting scheduled cash flows through the loans' estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan category. Factors included in the calculation include estimated prepayment speeds, discount rates, and repricing dates. Fair value is calculated at the instrument level and aggregated accordingly.

Delinquent loans (not in foreclosure) are valued using the method noted above, and also consider the fair value of collateral for collateral-dependent loans. While credit risk is a component of the discount rate used to value loans, delinquent loans are presumed to possess additional risk. Therefore, the calculated fair value of loans is reduced by the allowance for loan losses. Non-performing loans, at the instrument level, are removed from the calculation and assessed a fair value of $0.

The fair value of loans held for sale is estimated based on outstanding investor commitments or in the absence of such commitments, is based on current yield requirements or quoted market prices.

Deposits

The fair value of demand deposits, savings accounts, and money market accounts is the amount payable on demand at the reporting date. The fair value of fixed maturity time deposits is estimated using a discounted cash flow approach that applies current market rates to a schedule of aggregated expected maturities of time deposits.

Borrowings

The fair value of borrowings is based on quoted market prices for the identical debt when traded as an asset in an active market. If a quoted market price is not available, fair value is calculated by discounting scheduled cash flows through the borrowings' estimated maturity using current market rates.

Junior Subordinated Debentures

There is no active trading market for the Company's debentures. Therefore the fair value of junior subordinated debentures is determined using an expected present value technique based on market fixed spreads on similar debt compared to the Company's fixed spreads.

Interest Rate Swap Agreements (Swaps)

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

Other Financial Instruments

The fair values of letters of credit and unused lines of credit approximate the fee charged to make the commitments.

(18) Fair Values Measurements

The following table presents for each of the fair-value hierarchy levels discussed in the previous Note the Company's assets and liabilities that are measured at fair value on a recurring and non-recurring basis at December 31, 2019 and December 31, 2018 by caption on the Consolidated Balance Sheet (dollars in thousands).

		2019			
		Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)	Total carrying value in the Consolidated Balance Sheet
Measured on a recurring basis:					
Assets					
Debt securities available-for-sale:					
U.S. Treasury	$	3,538	-	-	3,538
U.S. government sponsored enterprise obligations		-	188,338	-	188,338
State and municipal obligation		-	154,781	-	154,781
Equity securities		8,743	-	-	8,743
Interest rate swap agreements - non-designated		-	10,743	-	10,743
Total assets	$	12,281	353,862	-	366,143
Liabilities					
Interest rate swap agreements - designated	$	-	1,275	-	1,275
Interest rate swap agreements - non-designated		-	10,743	-	10,743
Letters of credit	$	-	75	-	75
Total liabilities	$	-	12,093	-	12,093
Measured on a non-recurring basis:					
Assets					
Loans					
Collateral dependent impaired loans	$	-	-	2,426	2,426
Other assets					
Other real estate owned		-	-	109	109
Total assets	$	-	-	2,535	2,535

		2018			
		Quoted market prices in active markets (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)	Total carrying value in the Consolidated Balance Sheet
Measured on a recurring basis:					
Assets					
Debt securities available-for-sale:					
U.S. Treasury	$	2,513	-	-	2,513
U.S. government sponsored enterprise obligations		-	204,452	-	204,452
State and municipal obligation		-	136,234	-	136,234
Equity securities		8,717	-	-	8,717
Interest rate swap agreements - non-designated		-	4,306	-	4,306
Total assets	$	11,230	344,992	-	356,222
Liabilities					
Interest rate swap agreements - designated	$	-	626	-	626
Interest rate swap agreements - non-designated		-	4,306	-	4,306
Letters of credit		-	76	-	76
Total liabilities	$	-	5,008	-	5,008
Measured on a non-recurring basis:					
Assets					
Loans					
Collateral dependent impaired loans	$	-	-	2,786	2,786
Other assets					
Other real estate owned		-	-	1,320	1,320
Total assets	$	-	-	4,106	4,106

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

The Company evaluates and values loan servicing assets on at least an annual basis at their lower of amortized cost or fair value. The fair values of these assets are estimated using Level 3 inputs in the fair value hierarchy. Fair value is determined through estimates provided by a third party or by management by reference to rights sold on similar loans during the quarter. When values are estimated by management using market prices for similar servicing assets, certain discounts may be applied to reflect the differing rights underlying the loan servicing contract. These discounts may range from 25 to 75 basis points of the principal balance of the underlying loan. Such discounts represent the significant unobservable input.

(19) Revenue from Contracts with Customers

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

The following table presents the sources of non-interest income for the periods ending December 31, 2019 and 2018, respectively (in thousands):

	2019	2018
Non-interest income:		
Service charges on deposit accounts	$ 18,295	$ 17,924
Trust and Investment Services	21,497	20,272
Brokerage and investment subadvisory services	3,574	3,990
Net gain on sales of mortgage loans(a)	2,515	2,164
Loan servicing, net(a)	937	885
Loan-related fees(a)	355	377
Loss of securities transactions, net(a)	(120)	(4)
Gain on sale of other investments, net(a)	-	4,531
Other non-interest income(b)	4,428	2,221
Total non-interest income	$ 51,481	$ 52,360

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

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

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of non-transactional fees, such as account maintenance and dormancy fees, and transaction-based fees, such as ATM, wire transfer, and foreign exchange fees. The Company's performance obligation for non-transactional fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. The Company's performance obligation for transaction-based fees is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. The non-transactional fees for 2019 and 2018 were $1.3 million and $1.4 million, respectively, of the total service charges on deposits. The Company may, from time to time, waive certain fees (e.g., NSF fee) for the customers but generally do not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Waiver of fees reduces the revenue in the period the waiver is granted to the customer.

Trust and Investment Services (Wealth Management)

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

Gains/Losses on Sales of OREO

The sale of OREO is accounted for when control of the asset has been transferred to the buyer. The gain or loss on the sale is calculated as the difference between the carrying value of the asset and the transaction price. The gains recognized in 2019 and 2018 were insignificant.

Board of Directors

Canandaigua National Corporation and Canandaigua National Bank are honored to have so many distinguished community leaders on their Boards of Directors.

(front row) Frank H. Hamlin, III, Esq.; Sue S. Stewart, Esq.; George W. Hamlin, IV, Esq.; Caroline C. Shipley; Daniel P. Fuller (back row) Lawrence A. Heilbronner-Kolthoff; Alan J. Stone; Gary L. Babbit; Michael C. Goonan; Robert G. Sheridan; Thomas S. Richards, Esq. (not pictured) James H. Watters, PhD

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

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

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

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

George W. Hamlin, IV, Esq.
Canandaigua National Corporation
Chairman of the Board, January 1, 2011-present
Chairman and CEO, January 1, 2011-March 28, 2013
Director, President, and CEO, 1984-December 31, 2010
The Canandaigua National Bank & Trust Company
Chairman, Officer, Senior Policy Advisor, and Consultant at Large, March 29, 2013-present
Chairman, CEO, and Trust Officer, January 1, 2011-March 28, 2013
Director, President, CEO, and Trust Officer, 1979-December 31, 2010

Board of Directors, cont.

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

Lawrence A. Heilbronner-Kolthoff

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

Thomas S. Richards, Esq.

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

Robert G. Sheridan

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

Caroline C. Shipley

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

Sue S. Stewart, Esq.

Director, Canandaigua National Corporation, 2000-present
Attorney, retired

Board of Directors, cont.

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

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

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

Emeritus Board Members

James S. Fralick

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

Canandaigua National Corporation & Canandaigua National Bank Subsidiaries

Canandaigua National Trust Company of Florida Officers
Frank H. Hamlin, III, Esq., Chief Executive Officer
Salvatore (Sam) Guerrieri Jr., President
Vincent K. Yacuzzo, Executive Vice President and Chief Financial Officer
Mary Kay Bashaw, Senior Vice President and Treasurer
Mark Buonaugurio, Senior Vice President, Senior Wealth Advisor, and Team Leader
Maria E. Caton, CFP®, ChSNC®, AAMS®, Senior Vice President and Manager of Financial Planning Services
Jillian Erika Dart, Esq., CTFA, Senior Vice President, Senior Trust Officer, and Team Leader
Suzanne Ellin, JD, CPA, CGMA, CTFA, CFP®, Senior Vice President and Senior Trust Officer
Jason W. Fitzgerald, CFP®, Senior Vice President, Senior Wealth Advisor, and Team Leader
Laurie A. Haelen, AIF®, Senior Vice President and Manager of Wealth Solutions
James F. Lieb, CTFA, Senior Vice President and Senior Trust Officer
Stephen R. Martin, Senior Vice President and Community Affairs Director
Rita Nischal, Esq., Senior Vice President and Corporate Counsel
Joy Ryen Plotnik, Esq., Senior Vice President and Senior Trust Officer
Dawn C. Priolo, Senior Vice President and Director of Finance
Kurt E. Rosen, Senior Vice President and Wealth Business Manager
Stephen A. Rossi, CFA®, CFP®, Senior Vice President and Senior Equity Strategist
Paul S. Tarantino, Senior Vice President and Senior Wealth Consultant
James P. Terwilliger, PhD, CFP®, Senior Vice President and Senior Planning Advisor
Scott B. Trumbower, Senior Vice President, Director of Shareholder Relations
Jennifer N. Weidner, Esq., Senior Vice President, General Counsel, and Secretary
Nancy E. Bowes, CFP®, Vice President and Wealth Advisor
Donna Cator, CFP®, CDFA, Vice President and Wealth Advisor
Amy K. Boyd Ertel, Esq., CTFA, Vice President and Trust Officer
Ramona Green, CTFA, Vice President and Trust Officer
David P. Guzzetta, AFIM™, CFMC®, Vice President and Wealth Advisor
Charlene S. Johnson, CPC, QPA, QKA, QPFC, TGPC, ERPA, Vice President and Retirement Services Officer
Stephen C. Krauss, CFA®, Vice President and Wealth Advisor
Adam R. Leszyk, CFP®, Vice President and Wealth Advisor
Stephen R. Livingston, CFIRS™, Vice President, Fiduciary Compliance Officer
Mark S. Mazzochetti, CISP, Vice President and Retirement Services Officer
Lindsay A. Morrow, Vice President and Corporate Events Manager
JoAnn K. Roberts, CTFA, CFIRS™, Vice President and Fiduciary Compliance Officer
Louis B. Rossetti, Vice President and Trust Officer
Michael D. Schiller, CFP®, Vice President and Wealth Advisor
Linda J. Shannon, CAMS, CFE, Vice President and BSA/AML Compliance Officer
M. Beth Uhlen, CPA, Vice President and Wealth Operations Manager
Stacey Lynn Bowers, Assistant Vice President and Trust Officer
Catherine M. Burnett, Banking Officer and Wealth Operations Assistant Manager

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

CNB Insurance Agency Directors & Officers
Salvatore (Sam) Guerrieri Jr., Director and Executive Vice President
Frank H. Hamlin, III, Esq., Director, President, and Chief Executive Officer
Rita Nischal, Esq., Director, Senior Vice President – Property Casualty Broker
Jennifer N. Weidner, Esq., Director, Secretary, and Senior Vice President
Vincent K. Yacuzzo, Director, Treasurer, Executive Vice President, and Chief Financial Officer
David W. Gibbons, Insurance Officer, Senior Vice President – Program Manager
Jerry W. Lack, CLTC®, Insurance Officer, Assistant Vice President – Financial Advisor

Home Town Funding, Inc., d/b/a CNB Mortgage Company Directors & Officers
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Kelly R. Crane, Assistant Vice President – Mortgage Processing Supervisor
Salvatore (Sam) Guerrieri Jr., Director and Executive Vice President
Frank H. Hamlin, III, Esq., Director and Chief Executive Officer
George W. Hamlin, IV, Director
Dana Lazenby, Vice President – Lock Desk Specialist/Pricing Analyst/ Closing Manager
Kelly Masline, Assistant Vice President – Team Leader, Underwriting
Brian E. Pasley, Chairman of the Board and Executive Vice President
Helen M. Saxby, Senior Vice President – Mortgage Operations and Compliance Manager
Karen C. Serinis, Director and Executive Vice President
Christopher R. Spaker, President
Vincent K. Yacuzzo, Director, Treasurer, Executive Vice President, and Chief Financial Officer

Canandaigua National Corporation & Canandaigua National Bank Subsidiaries, cont.

WBI OBS Financial, LLC Managers
Salvatore (Sam) Guerrieri Jr., Chairman and Manager
Frank H. Hamlin, III, Esq., Manager and Chief Executive Officer
Vincent K. Yacuzzo, Manager

OBS Holdings, Inc. Directors & Officers
Salvatore (Sam) Guerrieri Jr., Director and Chairman
John Henry, Director, President, and Chief Executive Officer
Frank H. Hamlin, III, Esq., Director
Vincent K. Yacuzzo, Director
Catherine Farley, Chief Operating Officer

Officers

Canandaigua National Corporation and Canandaigua National Bank & Trust are fortunate to have so many dedicated officers.

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

Canandaigua National Bank & Trust Officers

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

Corporate Risk Operations
A. Rosamond Zatyko, Executive Vice President – Chief Administrative Officer
Deborah A. Cragg, CISSP®, PMP®, ITIL®v3, Senior Vice President – Chief Information Security Officer
Vicki B. Mandrino, CRCM, Senior Vice President – Chief Compliance Officer
Stephen R. Livingston, CFIRS™, Vice President – Fiduciary Compliance Officer
JoAnn K. Roberts, CTFA, CFIRS™, Vice President – Fiduciary Compliance Officer
Cori A. Zinter, AML/CA, CAMS, CRCM, CFCS, CFE, Vice President – Bank Compliance Officer
Greig W. Holman, CRVPM® II, ABCP, Banking Officer – Vendor Management/Business Continuity Program Manager

Linda M. Schnitzler, CRP®, CFE, CFSA®, Senior Vice President – Chief Risk Officer
Linda J. Shannon, CAMS, CFE, Vice President – BSA/AML Compliance Officer
Todd M. Billcliff, CFE, Assistant Vice President – Fraud Risk Manager
Kathleen A. Housel, CFE, CBAP®, Assistant Vice President – Fraud Risk Officer
Gina C. Jacques, Banking Officer – Risk Specialist
Tina L. Jones, CAMS, Banking Officer – Electronic Banking Risk Officer

Charleen H. Cordaro, Senior Vice President – Chief Credit Risk Officer
Julie A. Gunkler, Vice President – Senior Portfolio Credit Risk Manager
Jodi L. Houlihan, Vice President – Credit Administration Manager
Susan E. Davis, Assistant Vice President – Collateral Control Manager
Sarah E. Housel, Assistant Vice President– Credit Review Manager
Thomas M. Rogers, Assistant Vice President – Risk Rating Model Manager/ Senior Commercial Loan Reviewer
Matthew M. Fowler, Banking Officer – Appraisal Review Manager
Kevin H. Roat, Banking Officer – Credit Analyst

Michelle A. LaMachia, CFSA®, CFIRS™, Senior Vice President – Chief Auditor
Nancy J. Stockdale, CPA, , CRMA®, Vice President – Audit Manager
Darrell E. Jolley, CPA, CFE, CFIRS™, Assistant Vice President – Assistant Audit Manager
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Kim Brewer, Community Office Assistant Manager

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Christopher Harvey, Community Office Assistant Manager

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Tristen Mandara, Community Office Assistant Manager

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Adelina Santiago, Customer Service Center Assistant Manager

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Kelly Cochrane, Community Office Assistant Manager

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Zo Ann Soong, Assistant Vice President, Community Office Manager
Donna Kretchmer, Community Office Assistant Manager

Greece Ridge
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Alana Shary, Community Office Assistant Manager

Henrietta
Carol Love, Assistant Vice President, Community Office Manager
Danyelle Kirchgessner, Community Office Assistant Manager

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Tyler Rossiter, Community Office Assistant Manager

Honeoye Falls
Steven R. Benz, Vice President, Community Office Manager
Jamie Otto-Trott, Community Office Assistant Manager

Irondequoit
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Andrea Gillette, Community Office Assistant Manager

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Amy E. Eagley, Community Office Assistant Manager

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Javier Quintana, Assistant Vice President, Community Office Manager
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Webster BayTowne
Alicia Welch, Bank Officer, Community Office Manager
Demet Guler, Community Office Assistant Manager

Webster Jackson-Ridge
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*Community Office Manager

The Arthur S. Hamlin Award for Excellence

Congratulations to this year's recipient, Diana Wright

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

"It was an honor to be one of the nominees for the Arthur S. Hamlin Award and a thrill to be the award recipient! I have the privilege of working with George and Frank Hamlin and see their dedication, engagement, and community spirit on a daily basis; Arthur would be proud of this legacy.

CNB has been my work home for the past 10 years and from day one, my work family has been encouraging and supportive. The customer-focused culture and positive environment make for a great workplace. I am grateful to my co-workers and the management of CNB for continuing to live the CNB core values every day and for being wonderful role models."

–Diana Wright, 2018 Arthur S. Hamlin Award Recipient

2019 NOMINEES

TJ Chamberlain	Tom Hanagan	Samantha Johnson
Diane Conklin	Selvia Hanna	Joe Legan
Brett Elliott	Greig Holman	Kim Sorel
Gail Fairchild	Jeff Humbert	Dayna Wilson

PAST RECIPIENTS

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

CNB Celebrates Success

In 2019, CNB was honored with multiple awards–acknowledging our workplace wellness, outstanding customer service and national recognition of our annual report.

Rochester Business Journal Reader Rankings recognized CNB as best in the Rochester area in three categories–Best Business Banking, Best Mortgage Lender, and Best Wealth Management. CNB was recognized as one of the top 3 in the category of Best Overall Company to Work For (501-1,000 Employees). This online survey seeks the best of the best in more than 55 categories, giving the *Rochester Business Journal* and *The Daily Record* audiences the chance to spotlight their favorite businesses.

Messenger Post Media awarded CNB with 2019 Best of the Finger Lakes Awards in two categories: Services–Bank/Credit Union and Wealth Management. The awards celebrate the best of businesses, organizations, people, and more.

The *Democrat & Chronicle* awarded CNB the Gold Choice Award in the category of Mortgage Lender for the Rochester's Choice Awards. CNB also received a Silver Choice Award in the category of Bank/Trust Company. Rochester's Choice Awards offer Rochester communities the chance to share their appreciation for and commitment to the businesses they favor most.

CNB was awarded the 2019 Workplace Well-Being Gold Achievement Award. The inaugural awards were presented by MVP Health Care to organizations that have demonstrated a strong commitment to improving the health and well-being of their employees through workplace wellness programs.

The 2018 CNC Annual Report received a Silver Award in the 17th annual Service Industry Advertising Awards—one of only 249 awards presented by the national panel of judges out of more than 1,600 entries.

We would like to thank everyone who voted for and supported us for each of the awards for which we were honored in 2019! We are proud to be a part of the communities we serve, and look forward to continuing our relationships in each – because seeing our customers succeed is the greatest reward.

Thank You and Congratulations

GARY L. BABBITT

At year end, Gary Babbitt retired from CNB after more than 23 years of exemplary service.

Gary joined CNB in 1996 after holding commercial lending positions at First National Bank of Rochester and Fleet Bank and its predecessors. Since 2006, Gary has served as the chair of the Bank's loan committee and has been involved in lending decisions across all lines of business. He has guided the growth of CNB's commercial loans and has overseen more than $3 billion in commercial loan originations since 2006, with an average annual growth exceeding 6.5% during that time. He was named Senior Vice President and Manager of the Commercial Services Department in 2006 and Executive Vice President in 2008. Gary was named to the Canandaigua National Corporation Board of Directors in 2019. He will continue to serve on the Board, including participating on CNC's Executive and Asset Resolution Committees upon his retirement.

Gary earned his Bachelor of Arts degree in Business Administration and Economics from Grove City College in Pennsylvania. He also completed the Bank Administration Institute Graduate School of Executive Bank Management and the Sheshunoff Executive Banking Institute. Gary serves on the Board of Directors of Empire State Certified Development Corporation and the Board of Advisors of Cephas Capital Partners.

> *"Gary has had a long and distinguished career in banking and we have been fortunate to have him as a leader over the course of his tenure here at CNC. I want to thank Gary for everything he has done as a colleague, mentor, and friend. He has been instrumental in CNB's success. I congratulate him on his retirement and am pleased that Gary will continue in his role as an active member of the Board of Directors."*
>
> *-Frank H. Hamlin, III, Esq. President and CEO*

A true model of CNB's core values, Gary's steady, fair, and humble nature will be missed. Gary enjoys golfing, traveling, and spending time with his wife, Judy, and their two adult children. We wish Gary good health and happiness in his retirement.

Thank You For Your Service

We would like to acknowledge the following colleagues who retired from CNB in 2019. We are grateful for the contributions they made throughout the years. The longevity of our employees is a shining example of CNB's outstanding culture and we are pleased to highlight these individuals with exceptionally long careers. After all, it is our people that make the difference. Congratulations on your retirement!

NAME	YEARS OF SERVICE
Nancy Allen	44 years
Gary Babbitt	23 years
Mary Bickel	16 years
Mary Anne Burkhart	20 years
Christine Eichelberger	10 years
Sue Grondin	28 years
Kathleen Housel	30 years
Barbara Karley	15 years
Kathryn Lafler	32 years
Sharon Martin	24 years
Mary Wyand	32 years

In Memoriam

LAURA KING

In February 2019, our friend and colleague Laura King passed away after a courageous battle with ovarian cancer.

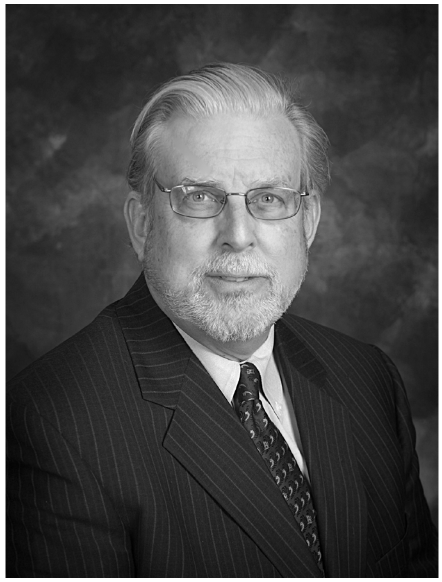
Laura joined CNB in 1989 as a Bookkeeping Clerk, progressed to a Trust Operations Clerk in 1990, and then a Trust Operations Specialist in 1996. She became a Trust Officer in 2007. Laura loved working with her clients and enjoyed helping them, often going above and beyond managing their wealth relationship. It was not uncommon for her to drive clients to doctor appointments or celebrate their birthdays and special occasions.

Laura's helpful nature extended to the community as well. She served as a member of professional organizations, including the Estate Planning Council of Rochester and Women in Insurance & Financial Services, as well as a long time Canandaigua Chamber of Commerce Ambassador. She was also involved in the American Cancer Society's annual Daffodil Days and Gilda's Club, just to name a few.

Laura's smile and positive energy could also be found on the softball field. Laura served as captain of the CNB softball team for 15 years, leading the team to play at new locations and in different leagues throughout the years–all in an effort to add players and ensure longevity of the team. In typical fashion, Laura brought friends and family along with her. Her daughter played on the team, her sister served as score keeper, and her parents could often be found cheering from the sidelines. The team now proudly wears a teal ribbon with Laura's name on their jerseys, in her honor.

Laura's kind, loyal, and energetic spirit is missed by all of those who had the opportunity to know her.

In Memoriam



RICHARD C. FOX

Richard C. Fox, affectionately known as Dick, served on the Board of Directors of Canandaigua National Bank & Trust and Canandaigua National Corporation since 2008; and its subsidiary, Genesee Valley Trust Company, as Director, Chairman and Vice Chairman.

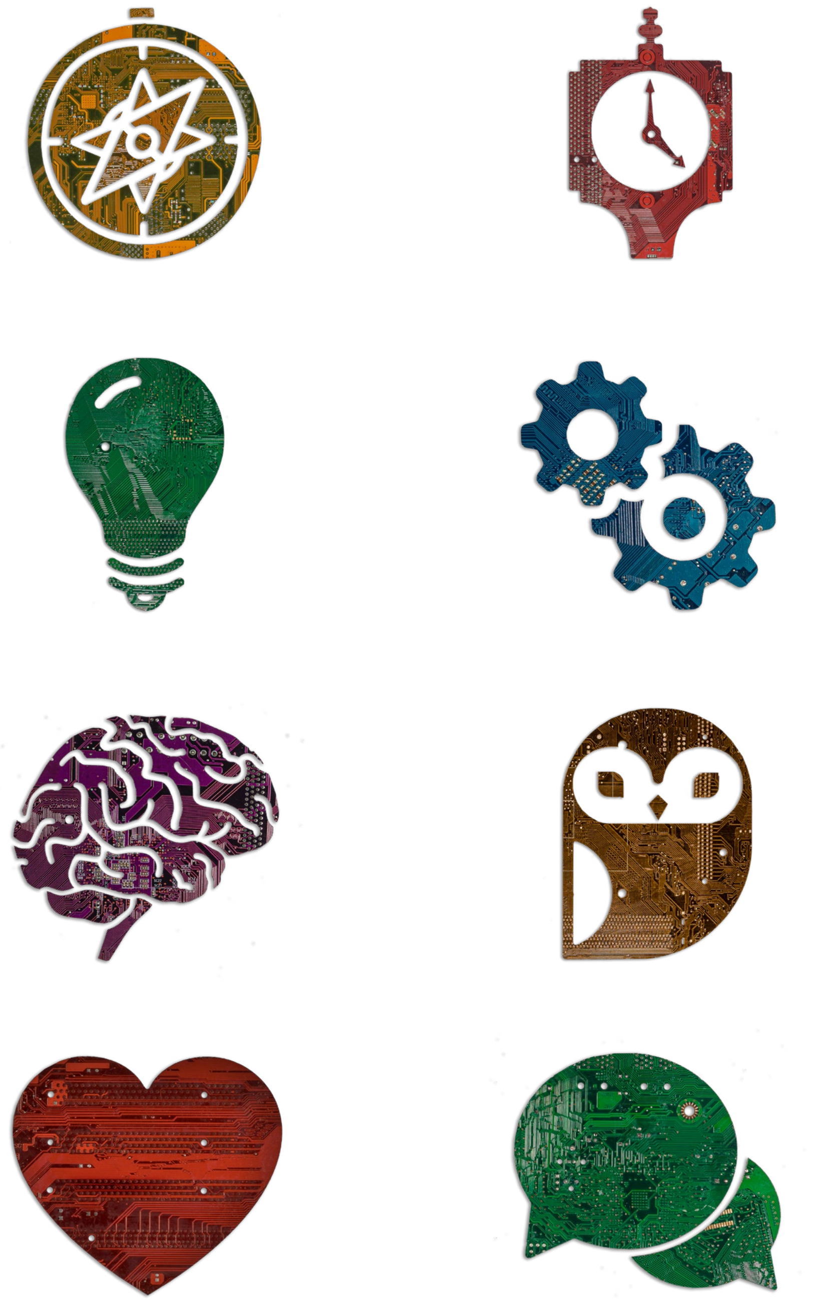
Dick passed away peacefully, with his family by his side, December 4, 2019.

After graduating with his MBA from Harvard Business School, he joined PricewaterhouseCoopers in Cleveland, Ohio and in 1974 he became Wendy's Restaurants' first CFO when there were only 93 restaurants. In April 1976, he and his family moved to Rochester and became Wendy's franchise owners, opening their first restaurant in East Rochester on August 17, 1976. Throughout his 40 years with Wendy's, Dick and his team operated 113 restaurants in 5 states. He was inducted into the Wendy's Hall of Fame in 1998.

Throughout his years in Rochester, Dick was a member of many boards and benefactor of several committees and charities. He was passionate about supporting education and the arts in the community. The Boy Scouts, McQuaid Jesuit, Genesee Country Museum and Trinity Montessori are just a few of the organizations that he supported. Dick's passion for philanthropy and mentoring has been passed down to his family who are involved with many organizations, continuing his legacy.

Dick shall forever be remembered as a thoughtful, elegant and kind gentleman, with a generous spirit. The time spent together with Dick around our own tables will be nearest and dearest to our hearts. Dick was a superlative Board member; always inquisitive, and always supportive of exploring new endeavors. The fact that he remained on the Boards through his health challenges to share his business acumen is a testament to his commitment to the organization and the individuals with whom he collaborated. We will hold Dick in our thoughts, prayers and memories as we each strive to match his exemplary attitude toward the importance of work, play, family and friends.

His CNC family will miss him.



About the Artist

Amanda Preske
Circuit Breaker Labs

From advances in semiconductor synthesis to artificial intelligence, technology has revealed fantastic myriads of possibility. Yet, the very advances that improve and save lives leave a trail of toxic waste in their wake. Circuit boards are under-recycled, causing pollution and adverse health effects.

After completing her doctorate in chemistry from the University of Rochester, Amanda Preske became a professional artist. She believes science and art go hand in hand and loves creating pieces from electronic waste that spark curiosity.

Amanda exhibits her work across the country and operates an e-commerce storefront with her scientific wearable art and home décor.

"In 2019, we set the stage and commenced execution of a multiyear plan to significantly upgrade our technical and process infrastructure ... to provide the ultimate customer experience."

— Frank H. Hamlin, III, President and CEO

FLN CNB-18817/03-20

Canandaigua
National
Corporation