Risk Factors Comparison 2024-03-13 to 2023-03-22 Form: 10-K

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The Corporation' s business is subject to many risks and uncertainties. Although the Corporation seeks ways to manage these risks and develop programs to control those that management can control, the Corporation ultimately cannot predict the extent to which these risks and uncertainties could affect the Corporation' s results. Actual results may differ materially from management' s expectations. The following discussion sets forth what the Corporation currently believes could be the most significant factors of which it is currently aware that could affect the Corporation' s business, results of operations or financial condition. You should consider all of the following risks together with all of the other information in this Annual Report on Form 10- K. Risks Related to Lending Economic conditions may adversely affect the Corporation' s financial performance. The Corporation' s businesses and results of operation are affected by the financial markets and general economic conditions in the United States, and particularly to adverse conditions in New York and Pennsylvania. Key economic factors affecting the Corporation include the level and volatility of short- term and long- term interest rates, inflation, home prices, unemployment and under- employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets and currencies, liquidity of the financial markets, the availability and the cost of capital and credit, investor sentiment, confidence in the financial markets, and the sustainability of economic growth. The deterioration of any of these conditions could adversely affect the Corporation' s consumer and commercial businesses, its securities and derivatives portfolios, its level of charge- offs and provision for credit losses, the carrying value of the Corporation' s deferred tax assets, its capital levels and liquidity, and the Corporation' s results of operations. A decline or prolonged weakness in business and economic conditions generally or specifically in the principal markets in which the Corporation does business could have one or more of the following adverse effects on the Corporation' s business: i. a decrease in the demand for loans and other products and services; ii. a decrease in the value of the Corporation' s loans or other assets secured by consumer or commercial real estate; iii. an impairment of certain of the Corporation' s intangible assets, such as goodwill; and iv. an increase in the number of borrowers and counter- parties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Corporation. Additionally, in light of economic conditions, the Corporation' s ability to assess the creditworthiness of its customers may be impaired if the models and approaches that it uses to select, manage and underwrite loans become less predictive of future behaviors. Further, competition in the Corporation' s industry may intensify as a result of consolidation of financial services companies in response to adverse market conditions and the Corporation may face increased regulatory scrutiny, which may increase its costs and limit its ability to pursue business opportunities. Imposition of limits by bank regulators on commercial real estate lending activities could curtail the Corporation' s growth and adversely affect our earnings. In 2006, the Office of the Comptroller of the Currency, the FDIC and the FRB (collectively, the " Agencies ") issued joint guidance entitled " Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices " (the " CRE Guidance "). Although the CRE Guidance did not establish specific lending limits, it provides that a bank' s commercial real estate lending exposure could receive increased supervisory scrutiny where total non- owner- occupied commercial real estate loans, including loans secured by apartment buildings, investor commercial real estate, and construction and land loans, represent 300 % or more of an institution' s total risk- based capital, and the outstanding balance of the commercial real estate loan portfolio has increased by 50 % or more during the preceding 36 months. Commercial real estate loans represent ~~382~~ **403** . ~~9~~ **6** % of ~~our~~ **Bank** risk- based capital at December 31, ~~2022~~ **2023** and the outstanding balance of our commercial real estate loan portfolio has increased by greater than 50 % during the 36 months preceding December 31, ~~2022~~ **2023** . In December 2015, the Agencies released a new statement on prudent risk management for commercial real estate lending (the " 2015 Statement "). In the 2015 Statement, the Agencies, among other things, indicate the intent to continue " to pay special attention " to commercial real estate lending activities and concentrations going forward. If the Bank' s regulators were to impose restrictions on the amount of such loans it can hold in its portfolio or require it to implement additional compliance measures, for reasons noted above or otherwise, the Corporation' s earnings would be adversely affected as would earnings per share. Commercial real estate and ~~business~~ **commercial and industrial** loans increase the Corporation' s exposure to credit risks. At December 31, ~~2022~~ **2023** , the Corporation' s portfolio of commercial real estate and ~~business~~ **commercial and industrial** loans totaled $ 1. ~~249~~ **387** billion or ~~68~~ **70** . 3 % of total loans. The Corporation plans to continue to emphasize the origination of these types of loans, which generally expose the Corporation to a greater risk of nonpayment and loss than residential real estate or consumer loans because repayment of commercial real estate and ~~business~~ **commercial and industrial** loans often depends on the successful operation and income stream of the borrower' s business. Additionally, such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate and consumer loans. Also, some of the Corporation' s borrowers have more than one commercial loan outstanding. Consequently, an adverse development with respect to one loan or one credit relationship can expose the Corporation to a significantly greater risk of loss compared to an adverse development with respect to residential real estate and consumer loans. In some instances, the Corporation has originated unsecured commercial loans ~~with~~ **to** certain high net worth individuals who ~~have~~ **are** personally **liable** ~~guaranteed such loans~~ . This type of commercial loan has an increased risk of loss if the Corporation is unable to collect repayment through legal action due to personal bankruptcy or other financial limitations of the borrower. The Corporation targets its business lending and marketing strategy towards small to medium- sized businesses. These small to medium- sized businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact these businesses, the Corporation' s results of operations and financial condition may be adversely affected **.**

Changes in occupancy trends resulting from shifts in macroeconomic conditions could adversely impact our commercial borrowers, particularly in relation to borrowers with substantial office or retail- specific exposures . Loan participations may have a higher risk of loss than loans the Bank originates because the Bank is not the lead lender and has limited control over credit monitoring. The Corporation occasionally purchases commercial real estate and commercial and industrial loan participations secured by properties outside its market area in which the Bank is not the lead lender. The Corporation has purchased loan participations secured by various types of collateral such as real estate, equipment and other business assets located primarily in New York ~~,~~ and Pennsylvania. Loan participations may have a higher risk of loss than loans the Bank originates because we rely on the lead lender to monitor the performance of the loan. Moreover, our decisions regarding the classification of a loan participation and ~~loan~~ **credit** loss provisions associated with a loan participation are made in part based upon information provided by the lead lender. A lead lender also may not monitor a participation loan in the same manner as we would for loans that the Bank originates. At December 31, ~~2022~~ **2023** , loan participation balances where the Bank is not the lead lender totaled $ ~~150~~ **177** . ~~2~~ **6** million, or ~~8~~ **9** . ~~21~~ **00** % of our loan portfolio. At December 31, ~~2022~~ **2023** , commercial and industrial loan participations outside our market area totaled $ ~~12~~ **11** . ~~0~~ **6** million, or 4. ~~77~~ **38** % of the commercial and industrial loan portfolio ~~and~~ **. There were no** commercial real estate loan participations outside our market area ~~totaled $ 0. 2 million, or 0. 02 % of the commercial real estate loan portfolio~~ . If the Bank' s underwriting of these participation loans is not sufficient, our non- performing loans may increase and our earnings may decrease. We are subject to environmental liability risk associated with lending activities. A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property' s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us. The foreclosure process may adversely impact the Bank' s recoveries on non- performing loans. The Judicial foreclosure process is protracted, which delays our ability to resolve non- performing loans through the sale of the underlying collateral. The longer timelines ~~were~~ **have been** the result of ~~the economic crisis, the COVID- 19 pandemic,~~ additional consumer protection initiatives related to the foreclosure process, increased documentary requirements and judicial scrutiny, and, both voluntary and mandatory programs under which lenders may consider loan modifications or other alternatives to foreclosure. These reasons, historical issues at the largest mortgage loan servicers, and the legal and regulatory responses have impacted the foreclosure process and completion time of foreclosures for residential mortgage lenders. This may result in a material adverse effect on collateral values and the Corporation' s ability to minimize its losses. The Corporation' s portfolio of indirect automobile lending exposes it to increased credit risks. At December 31, ~~2022~~ **2023** , $ ~~202~~ **210** . ~~1~~ **4** million, or ~~11~~ **10** . ~~0~~ **7** % of our total loan portfolio, consisted of automobile loans, primarily originated through automobile dealers for the purchase of new or used automobiles. The Corporation serves customers that cover a range of creditworthiness and the required terms and rates are reflective of those risk profiles. Automobile loans are inherently risky as they are often secured by assets that may be difficult to locate and can depreciate rapidly. In some cases, repossessed collateral for a defaulted automobile loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency may not warrant further substantial collection efforts against the borrower. Automobile loan collections depend on the borrower' s continuing financial stability, and therefore, are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy. Additional risk elements associated with indirect lending include the limited personal contact with the borrower as a result of indirect lending through non- bank channels, namely automobile dealers. The allowance for ~~loan~~ **credit** losses may prove to be insufficient to absorb losses in the loan portfolio. The Corporation' s customers may not repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. Hence, the Corporation may experience significant ~~loan~~ **credit** losses, which could have a material adverse effect on the Corporation' s operating results. Management makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the amount of the allowance for ~~loan~~ **credit** losses, management relies on **its CECL methodology,** loan quality reviews, past ~~loss~~ experience, and an evaluation of **forward- looking** economic ~~conditions~~ **forecasts** , among other factors. If these assumptions prove to be incorrect, the allowance for ~~loan~~ **credit** losses may not be sufficient to cover **future** losses ~~inherent~~ in the Corporation' s loan portfolio, resulting in additions to the allowance. Material additions to the allowance would materially decrease **earnings** ~~net income~~ . The Corporation' s emphasis on the origination of commercial loans is one of the more significant factors in ~~evaluating~~ **determining** its allowance for ~~loan~~ **credit** losses. As the Corporation continues to increase the amount of these loans, additional or increased provisions for ~~loan~~ **credit** losses may be necessary, which ~~could~~ **may** result in a decrease in earnings. ~~The Financial Accounting Standards Board has adopted a new accounting standard that will be effective~~ **Effective** ~~for the Bank beginning on~~ January 1, 2023 ~~. This standard~~ , ~~referred to as Current Expected~~ **the Corporation adopted ASU 2016- 13, Financial Instruments-** Credit ~~Loss~~ **Losses (Topic 326): Measurement of Credit Losses on Financial Instruments** , **which** ~~or CECL, will require~~ **requires** ~~financial institutions~~ **the Corporation** to ~~determine periodic estimates~~ - **estimate** ~~of~~ **the** lifetime expected credit losses **in the loan portfolio as of the measurement date. This methodology is dependent** on ~~loans,~~ **the relationship between economic variables** and ~~recognize~~

historic default, and ~~the~~ **there** ~~expected~~ **is no guarantee that these factors will be similarly correlated in the future. A departure or decoupling in correlation may increase the risk that the allowance for** credit losses ~~as allowances for loan~~ **is inadequate to absorb anticipated lifetime credit** losses ~~. This will~~ **, and may require** ~~change~~ **changes in** the **Corporation' s methodology** ~~current method of establishing allowances for loan losses that are probable~~ , which may **result in** ~~require us to increase~~ **increased provision requirements** ~~our allowance for loan losses~~ , ~~and increase~~ **materially adversely impacting** the **results** ~~data we would need to collect and review to determine the appropriate level~~ of **operations and financial condition** ~~our allowance for loan losses~~ . Bank regulators periodically review the Corporation' s allowance for ~~loan~~ **credit** losses and may require the Corporation to increase its provision for ~~loan~~ **credit** losses or loan charge- offs. Any increase in the allowance for ~~loan~~ **credit** losses or loan charge- offs as required by these regulatory authorities could have a material adverse effect on the Corporation' s results of operations and / or financial condition. In addition, any future credit deterioration, ~~could~~ **may** require us to increase our allowance for ~~loan~~ **credit** losses in the future. The Corporation is subject to risks and losses resulting from fraudulent activities that could adversely impact its financial performance and results of operations. As a bank, we are susceptible to fraudulent activity that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. We are subject to fraud and compliance risk, including but not limited to, in connection with the origination of loans, ACH transactions, wire transactions, ATM transactions, checking transactions, and debit cards that we have issued to our customers and through our online banking portals. We have experienced losses due to apparent fraud. The Bank owns a participating interest totaling $ 4. 2 million in an approximately $ 36. 0 million commercial credit facility on which the borrower defaulted due to fraudulent activity. On April 23, 2020 the Corporation received payment of $ 461, 309 from the lead bank related to its obligation under the participation agreements. The Bank continues to pursue recovery of the remaining $ 3. 7 million **, interest,** and accumulated expenses as a result of purchasing the participation interest. While the Corporation believes this incident was an isolated occurrence, there can be no assurance that such losses will not occur again or that such acts will be detected in a timely manner. We maintain a system of internal controls and insurance coverage to mitigate against such risks, including data processing system failures and errors, and customer fraud. If our internal controls fail to prevent or detect any such occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations. **Use of appraisals when underwriting loans secured by real property may not accurately represent the net value of collateral the Bank can realize at a future date. When evaluating decisions to extend credit that is to be secured by real property, it is generally the requirement of the Bank to require an appraisal on the property being collateralized. Appraisals are only an estimate of the value of the property as of the time of the appraisal, and real estate values may fluctuate over short periods of time, whether on a market basis, or in relation to a specific property. Therefore, appraised estimates may not accurately represent the net value of collateral in periods after loan closing. If an appraisal does not reflect the amount that may be realized on the sale of real property, we may not be able to realize an amount which is equal to the indebtedness secured by the property. Additionally, appraisals are relied upon to establish the fair value of other real estate owned, and to determine specific allocations to the allowance for credit losses on loans that are individually analyzed using the collateral method. Inaccuracies in these valuations due to appraisals may result in representation in the consolidated financial statements that is not reflective of current conditions existing as of or subsequent to the measurement date, and could materially adversely impact our results of operation and financial condition.** Risks Related to Liquidity Liquidity needs could adversely affect the Corporation' s financial condition and results of operation. The primary sources of funds of the Bank are customer deposits and loan repayments. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or lay- offs, inclement weather, which could be exacerbated by potential climate change, natural disasters and international instability. Market conditions may impact the competitive landscape for deposits in the banking industry. The rising interest rate environment and future actions the FRB may impact pricing and demand for deposits in the banking industry. Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, regulatory capital requirements, returns available to customers on alternative investments, and general economic conditions **. At December 31, 2023, the Bank had $ 1. 8 billion of deposit liabilities, representing 74. 8 % of total deposits, that had no maturity and, therefore, may be withdrawn by the depositor at any time without penalty** . The withdrawal of more deposits than the Corporation anticipates could have an adverse impact on profitability as the Corporation may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include proceeds from Federal Home Loan Bank **and Federal Reserve** advances, sales of investment securities and loans, and federal funds lines of credit from correspondent banks, as well as out- of- market time deposits which could cause the Corporation' s overall cost of funding to increase. While the Corporation believes that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands, particularly if the Corporation continues to grow and experience increasing loan demand. The Corporation may be required to slow or discontinue loan growth, capital expenditures or other investments or liquidate assets should such sources not be adequate. Risks Related to Changes in Interest Rates The Corporation is subject to interest rate risk, and fluctuations in market interest rates may affect its interest margin and income, demand for products, defaults on loans, loan prepayments and the fair value of its financial instruments. The Corporation' s earnings and cash flows depend largely upon its net interest income. Interest rates are highly sensitive to many factors that are beyond the Corporation' s control, including general economic conditions and policies of governmental and regulatory agencies, particularly the FRB. Changes in monetary policy, including changes in interest rates, could influence the interest the Corporation receives on loans and investments and the

amount of interest it pays on deposits and borrowings, which may affect net interest margin. Such changes could also affect (i) demand for products and services and price competition, in turn affecting our ability to originate loans and obtain deposits; (ii) the fair value of the Corporation' s financial assets and liabilities; (iii) the average duration of its mortgage- backed securities portfolio and other interest- earning assets; (iv) levels of defaults on loans; and (v) loan prepayments. During 2022 **and 2023** , in response to accelerated inflation, the FRB implemented monetary tightening policies, resulting in significantly increased interest rates ~~. The FRB has signaled that further tightening is anticipated~~ . If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, net interest income, and therefore earnings, could be adversely affected. In addition, the Corporation' s net interest margin may contract in a rising rate environment because its funding costs may increase faster than the yield earned on its interest- earning assets. In a rising rate environment, demand for loans may decrease and loans with adjustable interest rates are more likely to experience a higher rate of default. Additionally, changes in interest rates also affect the fair value of the securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. The combination of these events may adversely affect the Corporation' s financial condition and results of operations. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. In addition, in a falling rate environment or the recent pandemic- related environment where the FRB held the **targeted** federal ~~reference~~ **funds** rate near 0. 00 %, loans **and certain investments** may be prepaid sooner than the Corporation expects, which could result in a delay between when the Corporation receives the prepayment and when it is able to redeploy the funds into new interest- earning assets and in a decrease in the amount of interest income the Corporation is able to earn on those assets. If the Corporation is unable to manage these risks effectively, its financial condition and results of operations could be materially adversely affected. Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on the Corporation' s financial condition and results of operations. Also, the Corporation' s interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on its balance sheet. Risks Related to Competition Strong competition within the Corporation' s industry and market area could limit its growth and profitability. The Corporation faces substantial competition in all phases of its operations from a variety of different competitors. Future growth and success will depend on the ability to compete effectively in this highly competitive environment. The Corporation competes for deposits, loans and other financial services with a variety of banks, thrifts, credit unions and other financial institutions as well as other entities, which provide financial services. Some of the financial institutions and financial services organizations with which the Corporation competes with are not subject to the same degree of regulation as the Corporation. Many competitors have been in business for many years, have established customer bases, are larger, and have substantially higher lending limits. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties. The Corporation may not be able to attract and retain skilled people. The Corporation' s success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities in which the Corporation engages can be intense and it may not be able to hire people or to retain them. A key component of employee retention is providing a fair compensation base combined with the opportunity for additional compensation for above average performance. In this regard, the Corporation uses a stock-based compensation program that aligns the interest of the Corporation' s executives and senior managers with the interests of the Corporation, and its shareholders. The Corporation' s compensation practices are designed to be competitive and comparable to those of its peers, however, the unexpected loss of services of one or more of the Corporation' s key personnel could have a material adverse impact on the business because it would lose the employees' skills, knowledge of the market, and years of industry experience and may have difficulty promptly finding qualified replacement personnel. Risks Related to Business Strategy The Corporation' s growth strategy may not prove to be successful and its market value and profitability may suffer. As part of the Corporation' s strategy for continued growth, it may open additional branches. In 2021, the Corporation opened a ~~new~~ full- service branch in Clarence, New York **, and plans to open a second full- service branch in Williamsville, New York in 2024** . New branches do not initially contribute to operating profits due to the impact of overhead expenses and the start- up phase of generating loans and deposits. To the extent that additional branches are opened, the Corporation may experience the effects of higher operating expenses relative to operating income from the new operations, which may have an adverse effect on the Corporation' s levels of net income, return on average equity and return on average assets. In addition, the Corporation may acquire banks and related businesses that it believes provide a strategic fit with its business, such as the 2011 acquisition of FOFC and the 2013 acquisition of six branches from Bank of America. To the extent that the Corporation grows through acquisitions, it cannot provide assurance that such strategic decisions will be accretive to earnings. The risks presented by acquisitions could adversely affect the Corporation' s financial condition and results of operations. The business strategy of the Corporation has included and may continue to include growth through acquisition from time to time. Any future acquisitions will be accompanied by the risks commonly encountered in acquisitions. These risks may include, among other things: its ability to realize anticipated cost savings, the difficulty of integrating operations and personnel, the loss of key employees, the potential disruption of its or the acquired company' s ongoing business in such a way that could result in decreased revenues, the inability of its management to maximize its financial and strategic position, the inability to maintain uniform standards, controls, procedures and policies, and the impairment of relationships with the acquired company' s employees and customers as a result of changes in ownership and management. Risks Related to Laws and Regulations The Corporation operates in a highly regulated environment and may be adversely affected by changes in laws and regulations. Currently, the Corporation and its subsidiaries are subject to extensive regulation, supervision, and examination by regulatory authorities. For example, the FRB regulates the Corporation, **and** the FRB, the FDIC and the NYSDFS regulate the Bank ~~, and CRM is regulated by the Nevada Division of Insurance~~ . Such regulators govern the activities in which the Corporation and its subsidiaries may engage. These

regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of a bank, the classification of assets by a bank, and the adequacy of a bank' s allowance for ~~loan~~ **credit** losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, or legislation, could have a material impact on the Corporation and its operations. The Corporation believes that it is in substantial compliance with applicable federal, state and local laws, rules and regulations. As the Corporation' s business is highly regulated, the laws, rules and applicable regulations are subject to regular modification and change. There can be no assurance that proposed laws, rules and regulations, or any other law, rule or regulation, will not be adopted in the future, which could make compliance more difficult or expensive or otherwise adversely affect the Corporation' s business, financial condition or prospects. Monetary policies and regulations of the Federal Reserve Board could adversely affect our business, financial condition and results of operations. In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the FRB. An important function of the FRB is to regulate the money supply and credit conditions. Among the instruments used by the FRB to implement these objectives are open market purchases and sales of U. S. government securities, adjustments of the discount rate and changes in banks' reserve requirements against bank deposits. ~~In~~ **Throughout** 2022 **and 2023**, the FRB increased **the upper bound of** the federal funds rate by ~~425~~ **525** basis points, which increased market rates dramatically. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits **, as well as the value of the Corporation' s investment securities**. The monetary policies and regulations of the FRB have had a significant effect on the operating results of financial institutions in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted ~~. Changes to LIBOR may adversely impact the interest rate paid on certain financial instruments. The Corporation holds assets, liabilities, and derivatives that are indexed to the various tenors of LIBOR including but not limited to the one- month LIBOR, three- month LIBOR, one- year LIBOR, and the ten- year constant maturing swap rate. In 2017, the U. K. Financial Conduct Authority, which regulates London Interbank Offered Rates (" LIBOR "), announced that the publication of LIBOR is not guaranteed beyond 2021. In December 2020, the administrator of LIBOR announced its intention to (i) cease the publication of the one- week and two- month U. S. dollar LIBOR after December 31, 2021, and (ii) cease the publication of all other tenors of U. S. dollar LIBOR (one, three, six and 12 month LIBOR) after June 30, 2023. There are multiple alternative reference rates available as a viable replacement for LIBOR. The Secured Overnight Financing Rate (or " SOFR ") is considered the most likely alternative reference rate suitable for replacing LIBOR. SOFR has been published by the Federal Reserve Bank of New York (FRBNY) since March 2018, and it is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U. S. Treasury securities. The FRBNY currently publishes SOFR daily on its website. Uncertainty remains as to the adoption or market acceptance or continued availability of SOFR or other alternative reference rates. The Company has adhered to the International Swaps and Derivatives Association 2021 Fallbacks Protocol for its interest rate swap agreements. At this time, it is not possible to predict what rate or rates may become accepted alternatives to LIBOR or the effect of any such changes on the interest rate received by the bank on its interest rate swap instruments~~. We are subject to the Community Reinvestment Act and fair lending laws, and alleged failure to comply with fair lending laws has led to material penalties. The Community Reinvestment Act (" CRA "), the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. A successful regulatory challenge to an institution' s performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity and restrictions on expansion. On June 24, 2021, the Bank and the New York State Department of Financial Services agreed to the settlement provisions set forth in a Consent Order pertaining to alleged violations of New York' s Fair Lending Law and the federal Equal Credit Opportunity Act relating to the Bank' s indirect automobile lending program. The Bank agreed to pay restitution to impacted borrowers of $ 53, 000 and a civil monetary penalty of $ 350, 000 to the New York State Department of Financial Services. The Bank has been informed by the NYSDFS that the Bank has satisfied all of its obligations under the 2021 Consent Order related to the Bank' s indirect automobile lending program. Private parties may also have the ability to challenge an institution' s performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations. Non- compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions. The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Treasury' s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions. In recent years, several banking institutions have received large fines for non- compliance with these laws and regulations. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations. The Corporation may be required to raise additional capital in the future, but that capital may not be available when it is needed, or it may only be available on unacceptable terms, which could adversely affect its financial condition and results of operations. The Bank is required by federal and state regulatory authorities to maintain adequate levels of capital to support its operations. The Corporation may at some point need to raise additional capital to support the Bank' s continued growth or be required by regulators to increase its capital resources. The Corporation' s ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside of its control, and on its financial performance. Accordingly, the Corporation may not be able to raise additional capital, if needed, on terms acceptable to it. If the Corporation cannot raise additional capital when needed, its ability to further expand the Bank' s

operations and pursue its growth strategy could be materially impaired and its financial condition and liquidity could be materially and adversely affected. In addition, if the Corporation is unable to raise additional capital when required by bank regulators, it may be subject to adverse regulatory action. Changes in tax rates could adversely affect the Corporation' s results of operations and financial condition. The Corporation is subject to the income tax laws of the United States, its states, and municipalities. The income tax laws of the jurisdictions in which the Corporation operates are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, the Corporation must make judgments and interpretations about the application of these inherently complex tax laws to its business activities, as well as the timing of when certain items may affect taxable income. The provision for income taxes is composed of current and deferred taxes. Deferred taxes arise from differences between assets and liabilities measured for financial reporting versus income tax return purposes. Deferred tax assets are recognized if, in the Corporation' s judgment, their realizability is determined to be more likely than not. The Corporation performs regular reviews to ascertain the realizability of its deferred tax assets. These reviews include the Corporation' s estimates and assumptions regarding future taxable income, which incorporates various tax planning strategies. Risks Related to Operational Matters The Corporation' s controls and procedures may fail or be circumvented, which may result in a material adverse effect on its business. Management regularly reviews and updates its internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses. Our risk management framework is designed to minimize risk and loss to us. We seek to identify, measure, monitor, report and control our exposure to risk, including strategic, market, liquidity, compliance and operational risks. While we use a broad and diversified set of risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Recent economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased our level of risk. **In addition in March 2023, the failures of Silicon Valley Bank, Signature Bank and First Republic Bank resulted in decreased confidence in banks among depositors and other investors.** Accordingly, **if** we **are unable** ~~could suffer losses as a result of our failure~~ to ~~properly~~ **fully** anticipate ~~and~~ **or** manage these risks **, we could incur losses, impacting our results of operations and financial condition** . We face significant operational risks because the financial services business involves a high volume of transactions. We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non- compliance with applicable regulatory standards or customer attrition due to potential negative publicity. In the event of a breakdown in our internal control systems, improper operation of systems, or improper employee actions, we could suffer financial loss, face regulatory action, and / or suffer damage to our reputation ~~. Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, may have a material effect on the Corporation' s operations. Recent events relating to the failures of certain banking entities in March 2023, i. e. Silicon Valley Bank and Signature Bank, has caused general uncertainty and concern regarding the liquidity adequacy of the banking sector as a whole. Uncertainty may be compounded by the reach and depth of media attention, including social media, and its ability to disseminate concerns or rumors about any events of these kinds or other similar risks, and have in the past and may in the future lead to market- wide liquidity problems. These failures underscore the importance of maintaining diversified sources of funding as key measures to ensure the safety and soundness of a financial institution. As a result, market conditions and other external factors may impact the competitive landscape for deposits in the banking industry in an unpredictable manner. The rising interest rate environment has increased competition for liquidity and the premium at which liquidity is available to meet funding needs~~ . The Corporation continually encounters technological change and the failure to understand and adapt to these changes could adversely affect its business. The banking industry is undergoing rapid technological changes with frequent introductions of new technology- driven products and services. Technology has lowered barriers to entry and made it possible for" non-banks" to offer traditional bank products and services using innovative technological platforms such as ~~Fintech~~ **fintech** and ~~Blockchain~~ **blockchain** . These" digital banks" may be able to achieve economies of scale and offer better pricing for banking products and services than the Corporation can. The Corporation' s future success will depend, in part, on the ability to address the needs of customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in operations. Many competitors have substantially greater resources to invest in technological improvements. There can be no assurance that the Corporation will be able to effectively implement new technology- driven products and services or be successful in marketing such products and services to customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Corporation' s business and, in turn, its financial condition and results of operations. Systems failures or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities. Our operations depend upon our ability to protect our computer systems and network infrastructure against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break- ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and

network infrastructure, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third- party service providers, intend to continue to implement security technology and establish operational procedures designed to prevent such damage, our security measures may not be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third- party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations. It is possible that we could incur significant costs associated with a breach of our computer systems. While we have cyber liability insurance, there are limitations on coverage. Furthermore, cyber incidents carry a greater risk of injury to our reputation. Finally, depending on the type of incident, banking regulators can impose restrictions on our business and consumer laws may require reimbursement of customer losses **. Operating systems and infrastructure, managed or supplied by third parties on whom we rely, could be interrupted, compromised, or otherwise breached. The potential for operational risk exposure exists throughout the Corporation' s business and, as a result of the Corporation' s interactions with and reliance on third parties, is not limited to the Corporation' s own internal operational functions. The Corporation relies on numerous third- party vendors and service providers to conduct aspects of its business operations and faces operational risks relating to them. The Corporation' s vendors, service providers, and other third parties may expose the Corporation to risk as a result of human error, misconduct, malfeasance, or a failure or breach of systems, networks, and infrastructure. As a result, the Corporation' s ability to conduct business may be adversely affected by any significant disruptions to third parties with whom the Corporation interacts or relies upon** . Risks Related to Accounting Matters The Corporation' s accounting policies and estimates are critical to how the Corporation reports its financial condition and results of operations, and any changes to such accounting policies and estimates could materially affect how the Corporation reports its financial condition and results of operations. Management has identified certain accounting policies as being critical because they require management' s judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability or reducing a liability. The Corporation has established detailed policies and control procedures that are intended to ensure that these critical accounting estimates and judgments are well controlled and applied consistently. In addition, these policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding its judgments and the estimates pertaining to these matters, actual outcomes may be materially different from amounts previously estimated. For example, because of the inherent uncertainty of estimates, management cannot provide any assurance that the Bank will not significantly increase its allowance for ~~loan~~ **credit** losses if actual losses are more than the amount reserved. Any increase in its allowance for ~~loan~~ **credit** losses or loan charge- offs could have a material adverse effect on the Corporation' s financial condition and results of operations. In addition, the Corporation cannot guarantee that it will not be required to adjust accounting policies or restate prior financial statements. Further, from time to time, the FASB and SEC change the financial accounting and reporting standards that govern the preparation of the Corporation' s financial statements. These changes can be hard to predict and can materially impact how the Corporation records and reports its financial condition and results of operations. In some cases, the Corporation could be required to apply a new or revised standard retroactively, resulting in its restating prior period financial statements or otherwise adversely affecting its financial condition or results of operations ~~. Specifically, in June of 2016, FASB issued a new accounting standard, ASU 2016- 13, Financial Instruments- Credit Losses (Topic 326) that will substantially change the accounting for credit losses under GAAP. Under GAAP' s current standards, credit losses are not reflected in the Corporation' s financial statements until it is probable that the credit losses has been incurred. This methodology has the effect of delaying the recognition of credit losses on loans. Under the new credit loss standard, the allowance for credit losses will be an estimate of the" expected" lifetime credit losses on loans existing in the portfolio as of the reporting period. The new credit loss standard may have a negative impact on the reporting of results of operations and financial condition of the Corporation. The amendments in this ASU became effective for the Corporation for the fiscal year beginning on January 1, 2023~~ . The Corporation holds certain intangible assets that could be classified as impaired in the future. If these assets are considered to be either partially or fully impaired in the future, its earnings and the book values of these assets would decrease. The Corporation is required to test its goodwill for impairment on a periodic basis. The impairment testing process considers a variety of factors, including the current market price of its common stock, the estimated net present value of its assets and liabilities, and information concerning the terminal valuation of similarly situated insured depository institutions. If an impairment determination is made in a future reporting period, its earnings and the book value of goodwill would be reduced by the amount of the impairment. If an impairment loss is recorded, it will have little or no impact on the tangible book value of the Corporation' s common shares or its regulatory capital levels, but such an impairment loss could significantly restrict the Bank from paying a dividend to the Corporation. Financial counterparties expose the Corporation to risks. The Corporation has increased its use of derivative financial instruments, primarily interest rate swaps, which exposes it to financial and contractual risks with counterparty banks. The Corporation maintains correspondent bank relationships, manages certain loan participations, engages in securities transactions, and engages in other activities with financial counterparties that are customary to its industry. Financial risks are inherent in these counterparty relationships. Risks Related to Wealth Management Involvement in wealth management creates risks associated with the industry. The Corporation' s wealth management operations present special risks not borne by institutions that focus exclusively on other traditional retail and commercial banking products. For example, the investment advisory industry is subject to fluctuations in the stock market that may have a significant adverse effect on transaction fees, client activity and client investment portfolio gains and losses. Also, additional or modified regulations may adversely affect our wealth management operations. In addition, our wealth management operations are dependent on a small number of established financial advisors, whose departure could result in the loss of a significant number of client accounts. A

significant decline in fees and commissions or trading losses suffered in the investment portfolio could adversely affect our income and potentially require the contribution of additional capital to support our operations. There may be claims and litigation pertaining to fiduciary responsibility. From time to time as part of the Corporation' s normal course of business, customers make claims and take legal action against the Corporation based on its actions or inactions related to the fiduciary responsibilities of the Wealth Management Group segment. If such claims and legal actions are not resolved in a manner favorable to the Corporation, they may result in financial liability and / or adversely affect the market perception of the Corporation and its products and services. This may also impact customer demand for the Corporation' s products and services. Any financial liability or reputation damage could have a material adverse effect on the Corporation' s business, which, in turn, could have a material adverse effect on its financial condition and results of operations. General Business Risk Factors ~~The COVID- 19 pandemic could adversely affect the Corporation' s financial condition and results of operations. The COVID- 19 pandemic had a significant economic impact on the communities in which the Corporation operates, its borrowers and depositors, and the national economy generally. Although the domestic and global economies have significantly recovered from the COVID- 19 pandemic as health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic remain and may persist for some time. Specifically, despite growth in economic activity and the demand for goods and services as COVID- 19 restrictions were lifted, labor shortages and supply chain disruptions have contributed to an increase in inflation, and the risk of a recession. The ongoing and dynamic nature of COVID- 19 makes it difficult to predict future developments. The Corporation expects the impact of COVID- 19 to continue to be present, and last for an undetermined amount of time. The expected impact of COVID- 19 on the Corporation' s business, results of operations, financial condition and capital levels, cannot be determined and is uncertain.~~ Severe weather and other natural disasters can affect the Corporation' s business. The Corporation' s main office and its branch offices can be affected by natural disasters such as severe storms and flooding. These kinds of events could interrupt the Corporation' s operations, particularly its ability to deliver deposit and other retail banking services to its customers and as a result, the Corporation' s business could suffer serious harm. While the Corporation maintains adequate insurance against property and casualty losses arising from most natural disasters, and it has successfully overcome the challenges caused by past flooding in Central New York, there can be no assurance that it will be as successful if and when disasters occur. Additionally, global markets may be adversely affected by natural disasters, the emergence of widespread health emergencies or pandemics, **such as COVID- 19,** cyber- attacks or campaigns, military conflict such as the current conflict between Russia and Ukraine, terrorism, or other geopolitical events. Global market disruptions may affect our business liquidity. Also, any sudden or prolonged market downturn in the U. S. or abroad, as a result of the above factors or otherwise could result in a decline in revenue and adversely affect our results of operations and financial condition, including capital and liquidity levels. Inflation can have an adverse impact on our business and on our customers. The national economy continues to experience elevated levels of inflation. As of December 31, ~~2022~~ **2023** , the year over year consumer price index (" CPI ") increase was ~~6~~ **3** . ~~5~~ **4** %, primarily driven by increases in food and energy prices. **The FOMC of the FRB' s preferred measure of inflation, the year over year personal consumption expenditures index (" PCE"), excluding food end energy, increased 2. 9 %.** As a result, the FRB raised **benchmark** interest rates by ~~425~~ **100** basis points in ~~2022~~ **2023** to combat ~~rising~~ **continued** inflation. High inflation, if sustained, could have an adverse effect on our business. The recent increase in interest rates in response to elevated levels of inflation has decreased the fair value of our securities portfolio, resulting in an increase in unrealized losses recorded in accumulated other comprehensive income on the shareholders' equity section of our balance sheet. In addition, inflation- driven increases in our levels of non-interest expense could negatively impact our results of operations. High inflation and increasing interest rates could also cause increased volatility in the business environment, which could adversely affect loan demand and borrowers' ability to repay loans **. The geographic concentration of the Corporation' s market in upstate New York makes it more sensitive to adverse changes in regional conditions than larger or more geographically diversified competitors. The Corporation' s physical branch network, and by extension its lending footprint, is significantly concentrated in the upstate region of New York State. A deterioration in local economic conditions or in the residential or commercial real estate markets within our footprint could have an adverse effect on the quality of our loan portfolios, demand for our products and services, the ability of borrowers to timely repay loans, and the value of the collateral securing loans. If demographic, employment, or other growth in our market is negative for an extended period, subsequent income levels, deposits, and real estate development could be adversely impacted. Some of our larger competitors that are more geographically diverse may be better able to manage and mitigate risks posed by adverse conditions impacting only local or regional markets** . Risks Relating to Ownership of Our Common Stock The Corporation' s common stock is not heavily traded, and the stock price may fluctuate significantly. The Corporation' s common stock is traded on the NASDAQ under the symbol " CHMG. " Certain brokers currently make a market in the common stock, but such transactions are infrequent and the volume of shares traded is relatively small. Management cannot predict whether these or other brokers will continue to make a market in our common stock. Prices on stock that is not heavily traded, such as our common stock, can be more volatile than heavily traded stock. Factors such as our financial results, the introduction of new products and services by us or our competitors, publicity regarding the banking industry, and various other factors affecting the banking industry may have a significant impact on the market price of the shares of the common stock. Management also cannot predict the extent to which an active public market for our common stock will develop or be sustained in the future. Accordingly, shareholders may not be able to sell their shares of our common stock at the volumes, prices, or times that they desire. The Corporation is a holding company and depends on its subsidiaries for dividends, distributions and other payments. The Corporation is a legal entity separate and distinct from the Bank and other subsidiaries. Its principal source of cash flow, including cash flow to pay dividends to its shareholders, is dividends from the Bank. There are statutory and regulatory limitations on the payment of dividends by the Bank to the Corporation, as well as by the Corporation to its shareholders. FRB regulations affect the ability of the Bank to pay dividends and other distributions and to

make loans to the Corporation. If the Bank is unable to make dividend payments to the Corporation and sufficient capital is not otherwise available, the Corporation may not be able to make dividend payments to its common shareholders. Provisions of the Corporation' s certificate of incorporation, bylaws, as well as New York law and certain banking laws, could delay or prevent a takeover of the Corporation by a third party. Provisions of the Corporation’ s certificate of incorporation and bylaws, New York law, and state and federal banking laws, including regulatory approval requirements, could delay, defer or prevent a third party from acquiring the Corporation, despite the possible benefit to the Corporation’ s shareholders, or otherwise adversely affect the market price of the Corporation’ s common stock. These provisions include: a two- thirds affirmative vote of all outstanding shares of Corporation stock for certain business combinations; a supermajority shareholder vote of 75 % of outstanding stock for business combinations involving 10 % shareholders; the election of directors to staggered terms of three years; and advance notice requirements for nominations for election to the Corporation’ s Board of Directors and for proposing matters that shareholders may act on at a shareholder meeting. In addition, the Corporation is subject to New York law, which among other things prohibits the Corporation from engaging in a business combination with any interested shareholder for a period of five years from the date the person became an interested shareholder unless certain conditions are met. These provisions may discourage potential takeover attempts, discouraging bids for the Corporation’ s common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of the Corporation’ s common stock. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors other than candidates nominated by the Board of Directors.