Risk Factors Comparison 2024-03-15 to 2023-03-14 Form: 10-K

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In addition to the other information contained in this Annual Report, the following factors and other considerations should be considered carefully in evaluating us and our business. Changes in Interest Rates May Impact Our Financial Condition and Results of Operations Our primary source of income is net interest income, which is the difference between the interest income generated by our interest- earning assets (consisting primarily of multi- family residential loans, **investment property** commercial business loans and commercial real estate mortgage loans) and the interest expense paid on our interest- bearing liabilities (consisting primarily of deposits and borrowings). The level of net interest income is primarily a function of the average balance of our interest- earning assets and our interest- bearing liabilities, along with the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of our interest- earning assets and our interest- bearing liabilities which, in turn, are impacted by such external factors as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve Board (the " FOMC "), and market interest rates. The FOMC raised the target range for the federal funds rate ~~seven~~ **four** times during ~~2022~~ **2023** from a range of ~~0~~ **4. 50 % to 4. 75 % in March to a range of 5** . 25 % to ~~0~~ **5** . 50 % in **July** ~~March to a range of 4. 25 % to 4. 50 % in December. The FOMC raised the target range for the federal funds rate an additional 25 basis points in February of 2023 to 4. 50 % to 4. 75 %, and it is currently expected that during the remainder of 2023 the FOMC may increase the target range for federal funds rate several more times~~ . There can be no assurances as to any future FOMC decisions on interest rates. A significant portion of our loans have fixed interest rates (or, if adjustable, are initially fixed for periods of five to 10 years) and longer terms than our deposits and borrowings. Our net interest income could be adversely affected if the rates we pay on deposits and borrowings increase more rapidly than the rates we earn on loans. Our interest rate risk **has been partially mitigated by the addition of certain derivative financial instruments and we believe that our current interest rate position** is ~~exacerbated in the short term by the fact~~ **more neutral, with a bias toward liability sensitivity. There can be no assurance** that **such derivatives** ~~approximately 67 % of our certificates of deposit accounts and borrowings~~ will ~~reprice~~ **remain effective in such mitigation** ~~or~~ **nor** ~~mature during the next year~~ **that our interest rate position will remain as is and be appropriate in our operating environment** . As a result of our historical focus on the origination of multi- family residential mortgage loans, commercial business loans and commercial real estate mortgage loans, **most** ~~the majority~~ of our loans are adjustable rate, however, many adjust at periods of five to 10 years. In addition, a large percentage of our investment securities and mortgage- backed securities have fixed interest rates and are classified as available for sale. As is the case with many financial institutions, our emphasis on increasing the generation of core deposits, those with no stated maturity date, has resulted in our interest- bearing liabilities having a shorter duration than our interest- earning assets. This imbalance can create significant earnings volatility because interest rates change over time ~~and during the first quarter of 2022 were at historical low levels~~ . As interest rates increase, our cost of funds **generally** increases more rapidly than the yields on a substantial portion of our interest- earning assets. In addition, the estimated fair value of our fixed- rate assets, such as our securities portfolios, would decline (and our unrealized gains on such assets would ordinarily decrease and unrealized losses would ordinarily increase) if interest rates increase ~~, all as occurred in 2022 and could continue to occur in 2023~~ . However, the derivative portfolio increases in fair value as interest rates increase, partially mitigating the effects of **such increases on** ~~the~~ **other** securities ~~portfolio~~ . In line with the foregoing, we have experienced and may continue to experience an increase in the cost of interest- bearing liabilities primarily due to raising the rates we pay on some of our deposit products to stay competitive within our market and an increase in borrowing costs from increases in the federal funds rate. Prevailing interest rates also affect the extent to which borrowers repay and refinance loans. In a declining interest rate environment, the number of loan prepayments and loan refinancing may increase, as well as prepayments of mortgage- backed securities. Call provisions associated with our investment in U. S. government agency and corporate securities may also adversely affect yield in a declining interest rate environment. Such prepayments and calls may adversely affect the yield of our loan and securities portfolios as we reinvest the prepaid funds in a lower interest rate environment. However, we typically receive additional loan fees when existing loans are refinanced, which partially offset the reduced yield on our loan portfolio resulting from prepayments. In periods of low interest rates, our level of core deposits also may decline if depositors seek higher- yielding instruments or other investments not offered by us, which in turn may increase our cost of funds and decrease our net interest margin to the extent alternative funding sources are utilized. An increasing interest rate environment would tend to extend the average lives of lower yielding fixed rate mortgages and mortgage- backed securities, which could adversely affect net interest income. Also, in an increasing interest rate environment, mortgage loans and mortgage- backed securities may prepay at slower rates than experienced in the past, which could result in a reduction of prepayment penalty income. ~~In addition, depositors~~ **Depositors** tend to open longer term, higher costing certificate of deposit accounts which could adversely affect our net interest income if rates were to subsequently decline. Additionally, adjustable- rate mortgage loans and mortgage- backed securities generally contain interim and lifetime caps that limit the amount the interest rate can increase or decrease at repricing dates. Significant increases in prevailing interest rates may significantly affect demand for loans and the value of the Bank' s collateral. See " — Local Economic Conditions. Our Lending Activities Involve Risks that May Be Exacerbated Depending on the Mix of Loan TypesAt December 31, ~~2022~~ **2023** , our gross loan portfolio was $ 6, ~~925~~ **898** . ~~8~~ **3** million, of which ~~77~~ **88** . ~~7~~ **9** % was ~~mortgage~~ loans secured by real estate. **Most** ~~The majority~~ of these real estate loans were secured by multi- family residential property ($ 2, ~~601~~ **658** . ~~4~~ **2** million), commercial real estate property ($ 1, ~~913~~ **958** . ~~0~~ **3** million) and one- to- four family mixed- use property ($ ~~554~~ **530** . ~~3~~ **2** million), which combined ~~represent~~ **represented** ~~73~~ **74** . ~~2~~ **6** % of our loan portfolio. Our loan portfolio is concentrated in the New York City metropolitan area. Multi- family residential, one- to- four family mixed- use property, commercial real estate mortgage loans, commercial business loans and construction loans, are generally viewed as exposing the lender to a greater risk of loss than fully underwritten one- to- four family residential mortgage loans and typically involve higher principal amounts per loan. Multi- family residential, one- to- four family mixed- use property and commercial real estate mortgage loans are typically dependent upon the successful operation of the related property, which is usually owned by a legal entity with the property being the entity' s only asset. If the cash flow from the property is reduced, the borrower' s ability to repay the loan may be impaired. If the borrower defaults, our only remedy may be to foreclose on the property, for which the market value may be less than the balance due on the related mortgage loan. We attempt to mitigate this risk by generally requiring a loan- to- value ratio of no more than 75 % at a time the loan is originated, except for one- to- four family residential mortgage loans, where we require a loan- to value ratio of no more than 80 %. Repayment of construction loans is contingent upon the successful completion and operation of the project. The repayment of commercial business loans (the increased origination of which is part of management' s strategy), is contingent on the successful operation of the related business. ~~Changes~~ **45Changes** in local economic conditions and government regulations, which are outside the control of the borrower or lender, also could affect the value of the security for the loan or the future cash flow of the affected properties. We continually review the composition of our mortgage loan portfolio to manage the risk in the portfolio ~~. COVID- 19 and Other Adverse External EventsThe Coronavirus Disease 2019 (" COVID- 19") pandemic adversely affected, and may continue to adversely affect, us, our customers, employees and third- party service providers. During 2022 most employees of the Company worked three days in the office and two days remotely from home, and in the last quarter of 2022 these employees worked four days in the office and one day remotely. The extent to which the COVID- 19 pandemic will continue to adversely affect us will depend on future developments that are uncertain and cannot be predicted with certainty and many of which are outside of our control. These future developments may include the continued scope and duration of the COVID- 19 pandemic, the emergence of new variants of COVID- 19, the possibility of future resurgences of the COVID- 19 pandemic, the continued effectiveness of the Company' s business continuity plan including work- from- home arrangements and staffing at branches and certain other facilities, the direct and indirect impact of the COVID- 19 pandemic on the Company' s customers, employees, third- party service providers, as well as on other market participants, actions taken, or that may yet be taken, by governmental authorities and other third parties in response to the COVID- 19 pandemic. The financial markets have rebounded from the significant declines that occurred earlier in the pandemic and global economic conditions improved in 2021. However, the financial markets declined substantially in 2022 as the FOMC raised interest rates substantially to respond to high inflation (see above), many of the circumstances that arose or became more pronounced after the onset of the COVID- 19 pandemic persisted. Those circumstances include: ● volatility in financial and capital markets, interest rates and exchange rates; ● heightened cybersecurity, information security, and operational risks as cybercriminals attempt to profit from the disruption resulting from the pandemic given increased online and remote activity, including as a result of work- from- home arrangements, all of which could disrupt our business; ● decreased demands for our products and services. The continuing impact of the COVID- 19 pandemic, military conflicts such as Russia' s invasion of Ukraine, terrorism and other detrimental or destabilizing global and national events on general economic and market conditions, consumer and corporate spending and investment and borrowing patterns, there is a risk that adverse conditions could occur. These adverse conditions include, but are not limited to, increased cyber attacks; supply chain disruptions; higher inflation; decreased demand for the our products and services or those of our borrowers, which could increase credit risk; 44challenges related to maintaining sufficient qualified personnel due to labor shortages, talent attrition, willingness to return to work; and disruptions to business operations at the Company and at counterparties, vendors and other service providers. Even after such events fully subside, the U. S. economy may experience a prolonged economic slowdown or recession, and we anticipate that our operations would be materially and adversely affected by a prolonged economic slowdown or recession. To the extent that pandemics, acts of war, or terrorism and other detrimental external events adversely affect our business, financial condition, liquidity, capital, loans, asset quality or results of operations, it may also have the effect of heightening many of the other risks described in this " Risk Factors " section of this Form 10- K~~ . Failure to Effectively Manage Our Liquidity Could Significantly Impact Our Financial Condition and Results of OperationsOur liquidity is critical to our ability to operate our business. Our primary sources of liquidity are deposits, both retail deposits from our branch network including our Internet Branch and brokered deposits, as well as borrowed funds, primarily wholesale borrowing from the FHLB- NY. Additionally, we have unsecured lines of credit with other commercial banks. Funds are also provided by the repayment and sale of securities and loans. Our ability to obtain funds are influenced by many external factors, including but not limited to, local, regional and national economic conditions, the direction of interest rates and competition for deposits in the markets we serve. Additionally, changes in the FHLB- NY underwriting guidelines may limit or restrict our ability to borrow effectively. A decline in available funding caused by any of the above factors could adversely impact our ability to originate loans, invest in securities, meet our expenses, or fulfill our obligations such as repaying our borrowings or meeting deposit withdrawal demands. Our Ability to Obtain Brokered Deposits as an Additional Funding Source Could be LimitedWe utilize brokered deposits as an additional funding source and to assist in the management of our interest rate risk. The Bank had $ **1, 102. 0 million or 16. 2 % of total deposits and $** 856. 3 million **,** or 13. 2 ~~% of total deposits and $ 626. 3 million, or 9. 8~~ % of total deposits, in brokered deposit accounts ~~at~~ **as of** December 31, **2023 and** 2022 ~~and 2021~~ , respectively. We have obtained brokered certificates of deposit when the interest rate on these deposits is below the prevailing interest rate for non- brokered **wholesale funding** ~~certificates of deposit~~ with similar maturities in our market, or when obtaining them allowed us to extend the maturities of our deposits at favorable rates compared to borrowing funds with similar maturities, **or** when we are seeking to extend the maturities of our funding to assist in the management of our interest rate risk. Brokered certificates of deposit provide a large deposit for us at a lower operating cost as compared to non- brokered certificates of deposit since we only have one account to maintain versus several accounts with multiple maturity checks. Unlike non- brokered certificates of deposit where the deposit amount can be withdrawn with a penalty for any reason, including increasing interest rates, a brokered certificate of deposit can only be withdrawn in the event of the death or court declared mental incompetence of the depositor. This allows us to better manage the maturity of our deposits and our interest rate risk. We also at times utilize brokers to obtain money market account deposits. The rate we pay on brokered money market accounts is similar to the rate we pay on non- brokered money market accounts, and the rate is agreed to in a contract between the Bank and the broker. These accounts are similar to brokered certificates of deposit accounts in that we only maintain one account for the total deposit per broker, with the broker maintaining the detailed records of each depositor. Additionally, we place a portion of our government deposits in the IntraFi Network money market or demand product, allowing us to invest our funds in higher yielding assets without providing collateral. As of December 31, ~~2022~~ **2023** , total deposit balances include brokered deposits of money market deposits of $ ~~329~~ **96** . ~~0~~ **6** million, certificates of deposits of $ ~~446~~ **818** . ~~8~~ **3** million, and NOW deposits of $ ~~80~~ **187** . ~~4~~ **1** million. ~~For~~ **As of** December 31, ~~2021~~ **2022** , total deposit balances include brokered deposits of money market deposits of $ ~~251~~ **329** . ~~1~~ **0** million, certificates of deposits of $ ~~196~~ **446** . ~~2~~ **8** million, and NOW deposits of $ ~~178~~ **80** . ~~9~~ **5** million. ~~The~~ FDIC ~~has promulgated~~ regulations **limit** ~~implementing limitations on~~ brokered deposits. Under the regulations, well- capitalized institutions are not subject to brokered deposit limitations, while adequately capitalized institutions are able to accept, renew or roll over brokered deposits only with a waiver from the FDIC and subject to restrictions on the interest rate that can be paid on such deposits. Undercapitalized institutions are not permitted to accept brokered deposits. Pursuant to the regulation, the Bank, as a well- capitalized institution, may accept brokered deposits. Should our capital ratios decline, this could limit our ability to replace brokered deposits when they mature. ~~At~~ **As of** December 31, ~~2022~~ **2023** , the Bank met or exceeded all applicable requirements to be deemed " well- capitalized " for purposes of these regulations. However, there can be no assurance that the Bank will continue to meet those requirements. Limitations on the Bank' s ability to accept brokered deposits for any reason (including ~~regulatory~~ limitations on the amount of brokered deposits in total or as a percentage of total assets) ~~in the future~~ could materially adversely impact our funding costs and liquidity. ~~45The~~ -- **The** maturity of brokered certificates of deposit could result in a significant funding source maturing at one time. Should this occur, it might be difficult to replace the maturing certificates with new brokered certificates of deposit **or 46other wholesale funding** . We have used brokers to obtain these deposits which results in depositors with whom we have no other relationships since these depositors are outside of our market, and there may not be a sufficient source of new brokered certificates of deposit at the time of maturity. In addition, upon maturity, ~~brokers~~ **wholesale funding** could require us to offer some of the highest interest rates in the country to retain ~~these~~ -- **the** ~~deposits~~ **funding** , which would negatively impact our earnings **.** . The Markets in Which We Operate Are Highly CompetitiveWe face intense and increasing competition both in making loans and in attracting deposits. Our market area has a high density of financial institutions, many of which have greater financial resources, name recognition and market presence than us, and all of which are our competitors to varying degrees. Particularly intense competition exists for deposits and in all of the lending activities we emphasize. Our competition for loans comes principally from other commercial banks, savings banks, savings and loan associations, mortgage banking companies, insurance companies, finance companies and credit unions. Management anticipates that competition for mortgage loans will continue to increase in the future. Our most direct competition for deposits historically has come from savings banks, other commercial banks, savings and loan associations and credit unions. In addition, we face competition for deposits from products offered by brokerage firms, insurance companies and other financial intermediaries, such as money market and other mutual funds and annuities. Consolidation in the banking industry and the lifting of interstate banking and branching restrictions have made it more difficult for smaller, community- oriented banks, such as us, to compete effectively with large, national, regional and super- regional banking institutions. Our Internet Branch provides us with access to consumers in markets outside our geographic branch locations. The internet banking arena exposes us to competition with many larger financial institutions that have greater financial resources, name recognition and market presence than we do. Our Results of Operations May Be Adversely Affected by Changes in National, Regional and / or Local Economic ConditionsOur operating results are affected by national, regional and local economic and competitive conditions, including changes in market interest rates, the strength of the local economy, government policies and actions of regulatory authorities. Adverse economic conditions can result in borrowers defaulting on their loans or withdrawing their funds on deposit at the Bank to meet their financial obligations. A decline in the local, regional or national economy or the New York City metropolitan area real estate market could adversely affect our financial condition and results of operations, including through decreased demand for loans or increased competition for good loans, increased non-performing loans and credit losses resulting in additional provisions for credit losses and for losses on real estate owned. Many factors could require additions to our allowance for credit losses in future periods above those currently maintained. These factors include, but are not limited to: (1) adverse changes in economic conditions and changes in interest rates that may affect the ability of borrowers to make payments on loans, (2) changes in the financial capacity of individual borrowers, (3) changes in the local real estate market and the value of our loan collateral, and (4) future review and evaluation of our loan portfolio, internally or by regulators. The amount of our allowance for credit losses at any time represents good faith estimates that are susceptible to significant changes due to changes in appraisal values of collateral, national and local economic conditions, prevailing interest rates and other factors. See " Business — General — Allowance for Credit Losses " in Item 1 of this Annual Report. These same factors could cause delinquencies to increase for the mortgages which are the collateral for the mortgage-backed securities we hold in our investment portfolio. Combining increased delinquencies with liquidity problems in the market could result in a decline in the market value of our investments in privately issued mortgage- backed securities. There can be no assurance that a decline in the market value of these investments will not result in other- than- temporary impairment charges in our financial statements. Changes in Laws and Regulations Could Adversely Affect Our BusinessFrom time to time, legislation, is enacted or regulations are promulgated that have the effect of increasing the cost of doing business, limiting or expanding permissible activities or affecting the competitive balance between banks and other financial institutions. Proposals to change the laws and regulations governing the operations and taxation of banks and other financial institutions are frequently made in Congress, in the New York legislature and before various bank regulatory agencies. There can be no assurance as to the impact that any laws, regulations or governmental programs ~~46that~~ **47that** may be introduced or implemented in the future will have on the financial markets and the economy, any of which could adversely affect our business. For a discussion of regulations affecting us, see " Business — Regulation " and " Business — Federal, State and Local Taxation " in Item 1 of this Annual Report. Current Conditions in, and Regulation of, the Banking Industry May Have a Material Adverse Effect on Our Results of OperationsFinancial institutions have been the subject of significant legislative and regulatory changes, including the adoption of The Dodd Frank Act, which imposes a wide variety of regulations affecting us, and may be the subject of further significant legislation or regulation in the future, none of which is within our control. Significant new laws or regulations or changes in, or repeals of, existing laws or regulations, including those with respect to federal and state taxation, may cause our results of operations to differ materially. In addition, the cost and burden of compliance, over time, have significantly increased and could adversely affect our ability to operate profitably. The Bank faces several minimum capital requirements imposed by federal regulation. Failure to adhere to these minimums could limit the dividends the Bank may pay, including the payment of dividends to the Company, and could limit the annual growth of the Bank. Under the Dodd Frank Act, banks with assets greater than $ 100. 0 billion in total assets are required to complete stress tests, which predict capital levels under certain stress levels. See " Regulation. " **The** ~~At the New York State level, the~~ Bank is subject to extensive supervision, regulation **,** and examination by the ~~New York State Department of Financial Services ("~~ NYDFS ~~") and~~ **, as its chartering agency,** the FDIC **, as its insurer of deposits, and to a lesser extent the CFPB under the Dodd- Frank Act** . The Company is subject to similar ~~regulations~~ - **regulation** and oversight by the Federal Reserve Bank. Such regulations limit the manner in which the Company and Bank conduct business, undertake new investments and activities and obtain financing. The regulatory structure also provides the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to capital levels, the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Failure to comply with applicable laws and regulations could subject the Company and Bank to regulatory enforcement action that could result in the assessment of significant civil money penalties against the Company and / or the Bank. The FDIC regulations are designed primarily for the protection of the deposit insurance fund and the Bank' s depositors, and not to benefit the Company, the Bank, or its creditors. The fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on the Company' s results of operations. The Federal Reserve regulates the supply of money and credit in the United States. Changes in Federal Reserve or governmental policies are beyond the Company' s control and difficult to predict; consequently, the impact of these changes on the Company' s activities and results of operations is also difficult to predict. See " Changes in Interest Rates may impact our Financial Condition and Results of Operations " Risk Factor in this Form 10- K. A Failure in or Breach of Our Operational or Security Systems or Infrastructure, or Those of Our Third Party Vendors and Other Service Providers, Including as a Result of Cyber- attacks, Could Disrupt Our Business, Result in the Disclosure or Misuse of Confidential or Proprietary Information, Damage Our Reputation, Increase Our Costs and Cause LossesWe depend upon our ability to process, record, and monitor our client transactions on a continuous basis. As client, public and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting and data processing systems, or other operating systems and facilities, may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control. For example, there could be electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes, hurricanes and floods; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber- attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our business and clients. Information security risks for financial institutions ~~such as ours~~ have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct ~~47financial~~ -- **financial** ~~transactions~~ **48transactions** , and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. Threat actor organizations are becoming more formal and now frequently include specialized " departments " within an organization. These **" departments " may act** ~~include access specialists, lateral movement specialists, and initial access brokers. These functions combine~~ together to sell ~~the~~ access to interested parties, **which** ~~and the parties purchasing the access are installing~~ --- **install** malware and infiltrating data. This increases ~~cyber~~ **cybersecurity** risk as indicators of an attack may ~~be~~ spread across multiple detection platforms and ~~coming~~ **originate** from ~~distributed~~ **disparate** sources ~~. As noted above, our operations rely on the secure processing, transmission, and storage of confidential information in our computer systems and networks~~ . Our business relies on our digital technologies, computer and email systems, software **,** and networks to conduct its operations. In addition, to access our products and services, our clients may use personal smartphones, tablet PC' s, personal computers and other ~~mobile~~ devices that are beyond our control systems. Although we have information security procedures and controls in place, our technologies, systems, **and** networks **,** and our clients' devices **,** may become the target of **cyberattacks** ~~cyber- attacks~~ or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss **,** or destruction of our or our clients' confidential, proprietary **,** and other information, or otherwise disrupt our or our clients' or other third parties' business operations. We may be subject to increasingly more risk related to ~~cyber security~~ **cybersecurity** for our Internet Branch as we expand our suite of online direct banking products, acquire new or outsource some of our business operations, expand our internal usage of web- based products and applications, and otherwise attempt to keep pace with rapid technological changes in the financial services industry. We rely on external infrastructure, proprietary information technology and third- party systems and services to conduct business, including customer service, marketing and sales activities, customer relationship management, producing financial statements and technology / data centers. In addition, we store and process confidential and proprietary business information on both company- owned and third- party and / or vendor managed systems, including cloud service providers. We increasingly rely on the internet in order to conduct business and may be adversely impacted by outages in critical infrastructure such as electric grids, undersea cables, satellites or other communications used by us or our third parties. This reliance includes consumer access to the internet and communications systems due to more work taking place outside of corporate locations **. A security breach in the systems of our third- party service providers can create a gateway for unauthorized access to our network, potentially compromising the integrity and confidentiality of our data and systems** . The failure of our or any third party' s information technology, infrastructure or other internal and external systems, for any reason, could disrupt our operations, result in the loss of business and adversely impact our profitability. Any compromise of the security of our or any third party' s systems that results in the disclosure of personally identifiable customer or employee information could damage our reputation, deter customers from purchasing or using our products and services, expose us to litigation, increase regulatory scrutiny and require us to incur significant technical, legal and other expenses. We may also be adversely impacted by successful cyberattacks of our partners, third- party vendors and others in our supply chain with whom we conduct business or share information. Financial services companies are regularly targeted by cyber criminals, resulting in unauthorized access to confidential information, theft of funds from online accounts, disruption or degradation of service or other damage. These attacks may take a variety of forms, including web application attacks, denial of service attacks, ransomware, other malware, and social engineering, including phishing. As automation and machine intelligence technologies progress, attackers are adopting this technology to speed up their reconnaissance and attacks while reducing their costs. This improved efficiency and tooling means that a lower- skilled adversary is able to perform more attacks at a higher complexity level than in the past. Economic and political instability offers a fertile ground for adversaries to recruit new talent. This could be either people looking for financial gains amid job losses and high inflation, politically motivated actors driven by state conflicts or internal political unrest, or other personal reasons. In addition, the reengineering and reuse of prior attack methodologies is made easier by advances in these technologies. Information security incidents may also occur due to the failure to control access to, and use of, sensitive systems or information by our workforce. Employee risk exposure remains high as cybersecurity awareness training must be continuously refined and updated as technology advances and threat actors become increasingly more sophisticated. Additionally, there is a potential increase in this threat due to the increase in remote work. The failure of our controls (such as policies, procedures, security controls and monitoring, automation and backup plans) designed to prevent, or limit the effect of, failure, inadvertent use or abuse could result in disruptions or breaches beyond our control. Although to date we have not experienced any material losses relating to cyber- attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a focus for us. As technology evolves, we can increase our ability to detect and prevent cyber- attacks through automation and the implementation of security controls which leverage machine ~~48learning~~ **49learning** and artificial intelligence. As threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities. Additionally, information security vulnerabilities can pose increased cyber- risk as they can be combined and chained together more easily with machine learning technology. Disruptions or failures in the physical infrastructure or operating systems that support our business and clients, or cyberattacks or security breaches of the networks, systems or devices that our clients use to access our products and services could result in significant legal and financial exposure, client attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs and / or additional compliance costs, a loss of confidence in the security of our systems, any of which may not be covered by insurance and could materially and adversely affect our financial condition or results of operations. ~~In addition~~ **Operational risks** , ~~in 2017~~ **including risks associated with Flushing Bank' s dependence on its operational systems** , **its ability to maintain appropriately staffed workforces and the competence, integrity, health and safety of its employees, are of primary concern. The legal and regulatory risks related to safeguarding personal information and the harm that could be caused by a successful cyber- attack affecting Flushing Bank are proactively monitored and addressed according to current regulations and bank policies. Additionally, Flushing Bank monitors and addresses risks associated with its risk management framework and its models and estimations with monthly reports to the board of directors. Flushing Bank coordinates** ~~the~~ **these** ~~NYDFS established comprehensive cybersecurity requirements~~ **activities to ensure that potential adverse effects of failing to comply with heightened regulatory and other standards** for ~~financial services companies, including us, and~~ the **oversight of the cyber and risk management programs are significantly reduced** ~~NYDFS has proposed additional changes to such regulations. See Regulation – New York State Law~~ . Changes in Cybersecurity or Privacy Regulations may Increase our Compliance Costs, Limit Our Ability to Gain Insight from Data and Lead to Increased ScrutinyWe collect, process, store, share, disclose and use information from and about our customers, plan participants and website and application users, including personal information and other data. Any actual or perceived failure by us to comply with our privacy policies, privacy- related obligations to customers or third parties, data disclosure and consent obligations or privacy or security- related legal obligations may result in governmental enforcement actions, litigation **,** or public statements critical of us. Such actual or perceived failures could also cause our customers to lose trust in us, which could have an adverse effect on our business. Restrictions on data collection and use may limit opportunities to gain business insights useful to running our business and offering innovative products and services. We are subject to numerous federal, state, and international regulations regarding the privacy and security of personal information. These laws vary widely by jurisdiction. ~~Privacy~~ **Applicable** regulations ~~with a significant impact on our operations~~ include the NYDFS 23 NYCRR Part 500 Cybersecurity Requirements for Financial Services Companies, Gramm-

Leach- Bliley Title V Subtitle A- Safeguards Rule, ~~and~~ FDIC Part 364 Appendix B- Interagency Guidelines Establishing Information Security Standards **and other regulations** . **See " Regulation – Cybersecurity. "** Similar legislation ~~is being~~ **continues to be** enacted around the world with requirements and protections specific to data security requirements, notification requirements for data breaches, the right to access personal data and the right to be forgotten. **For example** ~~In one such recent development applicable to us, effective April 2022~~ , the Federal Reserve and the FDIC ~~issued a rule that, among other things, requires~~ - **require** a banking organization to notify its primary federal ~~regulators~~ - **regulator** within 36 hours after identifying a " computer- security incident " that the banking organization believes in good faith could materially disrupt, degrade or impair its business or operations in a manner that would, among other things, jeopardize the viability of its operations, result in customers being unable to access their deposit and other accounts, result in a material loss of revenue, profit or franchise value, or pose a threat to the financial stability of the United States. ~~Further, in November 2022, the NYDFS released proposed amendments to Part 500 that covered entities would be required to notify the NYDFS within 72 hours of (i) any cybersecurity event that has a reasonable likelihood of disrupting or degrading any part of a company' s normal operations, (ii) any unauthorized access to a privileged account or deployment of ransomware within a material part of the company' s information systems, and (iii) any cybersecurity event at a third party service provider that affects a covered entity In addition covered entities would be required to notify the NYDFS within 24 hours of an extortion payment made in connection with a cybersecurity event involving the covered entity. Also, within 90 days of a cybersecurity event, covered entities would be required to provide information requested by the NYDFS regarding the investigation of the cybersecurity event and would have a continuing obligation to update and supplement the information provided. These and other changes in cybersecurity and privacy regulations or the enactment of new regulations may increase our compliance costs and failure to comply with these regulations may lead to reputational damage, fines or civil damages and increased regulatory scrutiny.~~ We May Experience Increased Delays in Foreclosure ProceedingsForeclosure proceedings face increasing delays. While we cannot predict the ultimate impact of any delay in foreclosure sales, we may be subject to additional borrower and non- borrower litigation and governmental and regulatory ~~49scrutiny~~ -- **scrutiny** related to our past and current foreclosure activities. Delays in foreclosure sales, including any delays beyond those currently anticipated could increase the costs associated with our mortgage operations and make it more difficult for us to prevent losses in our loan portfolio. ~~Our~~ **50Our** Inability to Hire or Retain Key Personnel Could Adversely Affect Our BusinessOur success depends, in large part, on our ability to retain and attract key personnel. We face intense competition from commercial banks, savings banks, savings and loan associations, mortgage banking companies, insurance companies, finance companies and credit unions. As a result, it could prove difficult to retain and attract key personnel. The inability to hire or retain key personnel may result in the loss of customer relationships and may adversely affect our financial condition or results of operations. We Are Not Required to Pay Dividends on Our Common StockHolders of shares of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future. A reduction or elimination of our common stock dividend could adversely affect the market price of our common stock ~~. There is Uncertainty Surrounding the Elimination of LIBOR and the Proposed Transition to SOFR or Other Adjustable or Reference Rate FormulasIn 2017, the United Kingdom' s Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate (" LIBOR "). Consequently, LIBOR and other inter- bank offered rates around the world are undergoing a transition to other reference rates. In March 2021, the Financial Conduct Authority announced that LIBOR would no longer be published on a representative basis after December 31, 2021, with the exception of the most commonly used tenors of U. S. dollar LIBOR, which will no longer be published on a representative basis after June 30, 2023. There is still uncertainty around how quickly different alternative rates will develop sufficient liquidity and industry- wide usage, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR- indexed financial instruments. The U. S. Federal Reserve, based on the recommendations of the New York Federal Reserve' s Alternative Reference Rate Committee (comprised of major derivative market participants and their regulators), began publishing in April 2018 a Secured Overnight Financing Rate (" SOFR "), which is intended to replace U. S. dollar LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U. S. Treasury securities. Proposals for alternative reference rates have also been announced or have already begun publication. Markets are developing in response to these new rates. We have undertaken an enterprise- wide effort to address the transition to minimize the potential for adverse impacts. On March 15, 2022, the Consolidated Appropriations Act of 2022, which includes the Adjustable Interest Rate (LIBOR) Act, or LIBOR Act, was signed into law in the U. S. This legislation establishes a uniform benchmark replacement process for financial contracts maturing after June 30, 2023 that do not contain clearly defined or practiceable fallback provisions. Under the LIBOR Act, such contracts will automatically transition as a matter of law to a SOFR- based replacement rate identified by the Federal Reserve Board. The legislation also creates a safe harbor that shields lenders from litigation if they choose to utilize a replacement rate recommended by the Federal Reserve. The effect of any changes to LIBOR or discontinuation of LIBOR on new or existing financial instruments, liabilities or operational processes will vary depending on a number of factors. Examples of potential factors include, but are not limited to: fallback provisions in contracts; adoption of replacement language in contracts where such language is currently absent; legislative remedies that address fallback provisions; potential changes in spreads causing valuation changes; treatment of hedge effectiveness and impacts on models and systems. We are identifying, assessing and monitoring market and regulatory developments; assessing agreement terms and continue to execute our operational readiness. We have loans, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR could create additional costs and risks. Since proposed alternative rates 50are calculated differently, payments under contracts referencing new rates may differ from those referencing LIBOR. The transition will change our market risk profiles, requiring changes to risk and pricing models, systems, contracts, valuation tools, and product design. Furthermore, failure to adequately~~

~~manage this transition process with our customers could adversely impact our reputation and potentially introduce additional legal risks. As of December 31, 2022, we have exposure to approximately $ 1. 8 billion of financial assets and liabilities, including off- balance sheet instruments, which are LIBOR- based. We do not yet know whether, and if so the extent to which, the elimination of LIBOR will have any material impact on these instruments. The transition to other reference rates may affect the value of certain derivatives, loans and floating rate securities we hold, floating rate financial instruments we have issued and the profitability of certain lending activity. Additionally, pricing activities, models and the profitability of certain businesses may also be impacted~~ . Our Financial Results May be Adversely Impacted by Global Climate Changes. Atmospheric concentrations of carbon dioxide and other greenhouse gases have increased dramatically since the industrial revolution, resulting in a gradual increase in average global temperatures and an increase in the frequency and severity of weather patterns and natural disasters. These trends are expected to continue in the future and have the potential to impact nearly all sectors of the economy to varying degrees. We cannot predict the long- term impacts of climate change, but we will continue to monitor new developments in the future. Potential impacts may include the following: ● Changes in temperatures and air quality may adversely impact the health, welfare, economic and other prospects of customers in our target markets. For example, increases in the level of pollution and airborne allergens in local industrial areas may cause an increase in upper respiratory and cardiovascular diseases. Such impacts may adversely change the long- term prospects for the communities we serve and the investing and banking services these communities seek. ● Climate change may impact asset prices, as well as general economic conditions. For example, rising sea levels may lead to decreases in real estate values in at- risk areas. Additionally, government policies to slow climate change (e. g., setting limits on carbon emissions) may have an adverse impact on sectors such as utilities, transportation and manufacturing. Changes in asset prices may impact the value of our fixed income, real estate and commercial mortgage investments. Although we seek to manage our investment risks by maintaining a diversified portfolio and monitor our investments on an ongoing basis, allowing us to adjust our exposure to sectors and / or geographical areas that face severe risks due to climate change, there can be no assurances that our efforts will be successful. Our Financial Results May be Adversely Impacted by ESG RequirementsOur financial and operational results could be impacted by emerging risk and changes to the regulatory landscape in areas like environmental, social and governance (“ ESG ”) requirements. We closely monitor and respond to topics related to ESG that include longer lifespans, income and wealth inequalities, environmental challenges and opportunities to expand global access to the financial system across all segments of the population. Updated and changing regulatory and societal environment requirements could impact financial and operational results. We currently obtain environmental reports in connection with the underwriting of commercial real estate loans, and typically obtain environmental reports in connection with the underwriting of multi- family loans. For all other loans, we obtain environmental reports only if the nature of the current or, to the extent known to us, prior use of the property securing the loan indicates a potential environmental risk. However, we may not be aware of such uses or risks in any particular case, and, accordingly, there can be no assurance that real estate acquired by us in foreclosure is free from environmental contamination nor we will not have any liability with respect thereto. ~~Changes and uncertainty in United States legislation, policy or regulation regarding climate risk management or other ESG practices may result in higher regulatory and compliance costs, increased capital expenditures, and changes in regulations may impact security asset prices, resulting in realized or unrealized losses on our investments. Physical risks and transitional risks could increase the Company’ s cost of doing business and actual or perceived failure to adequately address ESG expectations of our various stakeholders could lead to a tarnished reputation and loss of customers and clients.~~ 51