Risk Factors Comparison 2024-03-13 to 2023-03-09 Form: 10-K

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If we experience greater credit losses than anticipated, earnings may be adversely impacted. As a lender, we are exposed to the risk that customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans and could have a material adverse impact on our results of operations. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral, and we provide an allowance for estimated credit losses based on a number of factors. We believe that the allowance for credit losses is adequate. However, if our assumptions or judgments are wrong, the allowance for loan losses may not be sufficient to cover the actual credit losses. We may have to increase the allowance in the future in response to the request of one of our primary banking regulators, to adjust for changing conditions and assumptions, or as a result of any deterioration in the quality of our loan portfolio. The actual amount of future provisions for credit losses may vary from the amount of past provisions. **- 20- We are subject to risks and losses resulting from fraudulent activities that could adversely impact our 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 most subject to fraud and compliance risk 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. Subsequent to year end, the Bank discovered fraudulent activity associated with deposit transactions conducted over the course of several business days ending in early March 2024 by an in- market business customer of the Bank. The Bank continues to investigate this matter to determine the potential exposure to the Company, which the Company currently estimates could be up to $ 18. 9 million, or $ 14. 1 million net of taxes. The ultimate financial impact could be lower and will depend, in part, on the Bank' s success in recovering the funds. The Bank plans to pursue all available sources of recovery to mitigate the potential loss. See Note 24, Subsequent Events, of the notes to consolidated financial statements, included in this Annual Report on Form 10- K, for additional details. While the Company believes this recent incident is an isolated occurrence, there can be no assurance that such fraudulent actions 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.** Geographic concentration may unfavorably impact our operations. ~~Substantially all~~ **The majority** of our operations are concentrated in the Western and Central New York ~~region~~ **regions** . As a result of this geographic concentration, our results depend largely on economic conditions in these and surrounding areas. Deterioration in economic conditions in our market, whether caused by inflation, recessionary conditions, public health emergencies, unemployment, or other factors beyond our control, could: • increase loan delinquencies; • increase problem assets and foreclosures; • increase claims and lawsuits; • decrease the demand for our products and services; and • decrease the value of collateral for loans, especially real estate, reducing customers' borrowing power, the value of assets associated with non- performing loans and collateral coverage. Generally, we make loans to small to mid- sized businesses whose success depends on the regional economy. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. Adverse economic and business conditions in our market areas ~~,~~ could reduce our growth rate, affect our borrowers' ability to repay their loans and, consequently, adversely affect our business, financial condition and performance. For example, we place substantial reliance on real estate as collateral for our loan portfolio. A sharp downturn in real estate values in our market area could leave many of these loans inadequately collateralized. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, the impact on our results of operations could be materially adverse. Our commercial business and **commercial** mortgage loans increase our exposure to credit risks. At December 31, ~~2022~~ **2023** , our portfolio of commercial business and **commercial** mortgage loans totaled $ 2. ~~34~~ **74** billion, or ~~58~~ **61** % of total loans. We plan to continue to emphasize the origination of these types of loans, which generally expose us to a greater risk of nonpayment and loss than residential real estate or consumer loans because repayment of such loans often depends on the successful operations and income stream of the borrowers. Additionally, such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to consumer loans or residential real estate loans. A sudden downturn in the economy, or a prolonged downturn for specific industries, could result in borrowers being unable to repay their loans, thus exposing us to increased credit risk.- 21- If our regulators impose limitations on our commercial real estate lending activities, earnings could be adversely affected. In 2006, the federal bank regulatory 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 may 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. Our non- owner occupied commercial real estate level equaled ~~263~~ **285** % of total risk- based capital at December 31, ~~2022~~ **2023** . If our regulators were to impose restrictions on the amount of commercial real estate loans we can hold in our portfolio, or require higher capital ratios as a result of the level of commercial real estate loans held, our earnings would be adversely affected. Our indirect and consumer lending involves risk elements in addition to normal credit risk. A portion of our ~~current~~ lending involves the purchase of consumer automobile installment sales contracts from automobile dealers located in Western, Central and the Capital District of New York, and Northern and Central Pennsylvania **. Effective January 1, 2024, we exited the Pennsylvania automobile market in order to align our focus more fully around our core Upstate New York market** . These loans are for the purchase of new or used automobiles. We serve customers that cover a range of creditworthiness, and the required terms and rates are reflective of those risk profiles. While these loans have higher yields than many of our other loans, such loans involve risk elements in addition to normal credit risk. 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. While indirect automobile loans are secured, such loans are secured by depreciating assets and characterized by loan- to- value ratios that could result in us not recovering the full value of an outstanding loan upon default by the borrower. State and federal laws may further limit our ability to recover outstanding principal balances on such loans. If the losses from our indirect loan portfolio are higher than anticipated, it could have a material adverse effect on our financial condition and results of operations. In addition, our consumer lending activities are subject to numerous consumer protection laws and regulations, including fair lending laws. Because indirect automobile loan applications are originated by automobile dealerships, we assume the risk of unsatisfactory origination programs, including any noncompliance with federal, state, and local laws. If we ~~were~~ **are** unable to comply with the regulations applicable to our consumer lending activities, our financial condition and results of operations may be adversely affected. Lack of seasoning in portions of our loan portfolio could increase risk of credit defaults in the future. As a result of our growth over the past several years, certain portions of our loan portfolio, such as the increased size of our commercial loan portfolio, are of relatively recent origin. Loans may not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process referred to as " seasoning. " As a result, a portfolio of older loans will usually behave more predictably than a newer portfolio. Because these portions of our portfolio are relatively new, the current level of delinquencies and defaults may not represent the level that may prevail as the portfolio becomes more seasoned. If delinquencies and defaults increase, we may be required to increase our provision for loan losses, which could have an adverse effect on our business, financial condition and results of operations. We accept deposits that do not have a fixed term, and which may be withdrawn by the customer at any time for any reason. At December 31, ~~2022~~ **2023** , we had $ 3. ~~65~~ **81** billion of deposit liabilities **, or 73 % of our total deposits,** that have no maturity and, therefore, may be withdrawn by the depositor at any time. These deposit liabilities include our checking, savings, and money market deposit accounts. Market conditions may impact the competitive landscape for deposits in the banking industry. The ~~rising~~ **interest** rate environment and future actions **of** the Federal Reserve ~~may take~~ may impact pricing and demand for deposits in the banking industry. The withdrawal of more deposits than we anticipate could have an adverse impact on our profitability as this source of funding, if not replaced by similar deposit funding, would need to be replaced with wholesale funding, the sale of interest- earning assets, or a combination of these two actions. The replacement of deposit funding with wholesale funding could cause our overall cost of funding to increase, which would reduce our net interest income. A loss of interest- earning assets could also reduce our net interest income. ~~- 22-~~ We are subject to environmental liability risk associated with our lending activities. A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. There is a risk that hazardous or toxic substances could be found on properties we have foreclosed upon. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage regardless of whether we knew, had reason to know of, or caused the release of such substance. Environmental laws may require us to incur substantial expenses 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. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations. **- 22-** We operate in a highly competitive industry and market area. We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources than us. Such competitors primarily include national, regional and internet banks within the markets in which we operate. We also face competition from many other types of financial institutions, including, without limitation, savings and loan associations, credit unions, finance companies, brokerage firms, insurance companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of **an FHC** ~~a financial holding company~~ , which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting), and merchant banking. Technology has lowered barriers to entry and made it possible for **non-** ~~nonbanks~~ --- **banks** to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. More recently, peer to peer lending has emerged as an alternative borrowing source for our customers and many other non- banks offer lending and payment services, such as consumer credit through buy now- pay later offerings, in competition with banks. Many of these competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many of our larger competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services than we can at competitive prices or with low or no fees. Our ability to compete successfully depends on a number of factors, including, among other things: • the ability to develop, maintain and build upon long- term customer relationships based on top quality service, high ethical standards and safe, sound assets; • the ability to expand our market position; • the scope, relevance and pricing of products and services offered to meet customer needs and demands; • the rate at which we introduce new products and services relative to our competitors; • customer satisfaction with our level of service; and • industry and general economic trends. Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and ~~results of operations. Changes to and replacement of the LIBOR Benchmark Interest Rate may adversely affect our business, financial condition, and results of operations. We have material contracts that are indexed to the London Interbank Offered Rate (" LIBOR "). In 2017, the United Kingdom' s Financial Conduct Authority, a regulator of financial services firms and financial markets in the United Kingdom, announced that the publication of LIBOR would not be guaranteed after 2021. LIBOR will be discontinued after June 2023 and will impact loans that have not yet matured or been refinanced by that date. This announcement, and, more generally, financial benchmark reforms and changes in the interbank lending markets, have resulted in uncertainty about the interest rate benchmarks that will be used in the future. In the United States, efforts to identify a set of alternative U. S. dollar reference interest rates have been ongoing, and the Alternative Reference Rate Committee formally recommended the use of a Secured Overnight Funding Rate (" SOFR "). The March 2022 enactment of the Adjustable Interest Rate (LIBOR) Act and the Federal Reserve' s proposed implementing regulations are intended to address the discontinuation of LIBOR and establish a replacement benchmark, based on SOFR, that will automatically apply to agreements that rely on LIBOR and do not have an alternative contractual fallback benchmark. SOFR- based replacement benchmarks may also apply to contracts with fallback provisions that authorize a particular person to determine the replacement benchmark. We have generally selected to use the Federal Reserve- recommended SOFR- linked replacement rate as an alternative to LIBOR.- 23- While the LIBOR Act and implementing regulations will help to transition legacy LIBOR contracts to a new benchmark rate, the substitution of SOFR for LIBOR may have potentially significant economic impacts on parties to affected contracts. SOFR is different from LIBOR in that it is a retrospective- looking secured rate rather than a forward- looking unsecured rate. These differences could lead to a greater disconnect between our and the Bank' s costs to raise funds for SOFR as compared to LIBOR. In addition to the discontinuance of LIBOR, there may be future changes in the rules or methodologies used to calculate SOFR or other benchmarks, which may have a material adverse effect on the value of or return on our financial assets and liabilities that are based on or are linked to LIBOR and other benchmarks. Once LIBOR rates are no longer available, and we are required to implement replacement reference rates for the calculation of interest rates under our loan agreements with borrowers, we may incur significant expense in effecting the transition and we may be subject to disputes or litigation with our borrowers over the appropriateness or comparability to LIBOR of the replacement reference rates. Once LIBOR rates are no longer available, and we are required to implement replacement reference rates for the calculation of interest rates under our loan agreements with borrowers, we may incur significant expense in effecting the transition and we may be subject to disputes or litigation with our borrowers over the appropriateness or comparability to LIBOR of the replacement reference rates. The uncertainty related to these changes may have an unpredictable impact on the financial markets and could adversely impact our financial condition or~~ results of operations. Legal and Regulatory Risks Legal and regulatory proceedings and related matters could adversely affect us and the banking industry in general. We have been, and may in the future be, subject to various legal and regulatory proceedings, including class action litigation. It is inherently difficult to assess the outcome of these matters, and there can be no assurance that we will prevail in any proceeding or litigation. Legal and regulatory matters of any degree of significance could result in substantial cost and diversion of our efforts, which by itself could have a material adverse effect on our financial condition and operating results. As disclosed in Part I, Item 3, " Legal Proceedings, " an action has been brought against us by four individuals who sought and were granted class certification to represent classes of consumers who allege to have obtained direct or indirect financing from us for the purchase of vehicles that we later repossessed. On September 30, 2021, the court granted plaintiffs' motion for class certification and matters and certified four different classes (two classes of New York consumers and two classes of Pennsylvania consumers). There are approximately 5, 200 members in the New York classes and approximately 300 members in the Pennsylvania classes. If we settle these claims or the litigation is not resolved in our favor, we may suffer reputational damage and incur legal costs, settlements or judgments that exceed the amounts covered by our existing insurance policies. We can provide no assurances that our insurer will cover the full legal costs, settlements or ~~judgements~~ **judgments** we incur. If we are not successful in defending ourselves from these claims, or if our insurer does not cover the full amount of legal costs we incur, the result may materially adversely affect our business, results of operations and financial condition. Further, adverse determinations in such matters could result in actions by our regulators that could materially adversely affect our business, financial condition or results of operations. There can be no guarantee that other proceedings that may have a material adverse effect on our business, results of operations or financial condition will not arise in the near or long- term future. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could adversely affect our results of operations and financial condition. Any future FDIC insurance premium increases may adversely affect our earnings. The amount that is assessed by the FDIC for deposit insurance is set by the FDIC based on a variety of factors. These include the depositor insurance fund' s reserve ratio, the Bank' s assessment base, which is equal to average consolidated total assets minus average tangible equity, and various inputs into the FDIC' s assessment rate calculation. **- 23-** If there are financial institution failures, we may be required to pay higher FDIC premiums **or special assessments. For example, in 2023, the FDIC issued a special assessment applicable for banks with total uninsured deposits in excess of $ 5 billion in order to recover losses sustained by the DIF as a result of the March 2023 failures of Silicon Valley Bank and Signature Bank**. Such increases of FDIC insurance premiums may adversely impact our earnings. See the section captioned " Supervision and Regulation " included in Part I, Item 1 " Business " for more information about

FDIC insurance premiums. ~~- 24-~~ We are highly regulated, and any adverse regulatory action may result in additional costs, loss of business opportunities, and reputational damage. As described in the section captioned " Supervision and Regulation " included in Part I, Item 1, " Business, " we are subject to extensive supervision, regulation and examination. The various regulatory authorities with jurisdiction over us have significant latitude in addressing our compliance with applicable laws and regulations including, but not limited to, those governing consumer credit, fair lending, anti- money laundering, anti- ~~terrorism~~ **terrorist financing** , capital adequacy, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors affecting us. As part of this regulatory structure, we are subject to policies and other guidance developed by the regulatory agencies with respect to, among other things, capital levels, the timing and amount of dividend payments, the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Our regulators have broad discretion to impose monetary fines or restrictions and limitations on our operations if they determine, for any reason, that our operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies. This supervisory framework could materially impact the conduct, growth and profitability of our operations. Any failure on our part to comply with current laws, regulations, other regulatory requirements or safe and sound banking, insurance, or investment advisory practices or concerns about our financial condition, or any related regulatory sanctions or ~~adverse~~ **enforcement** actions against us, could increase our costs or restrict our ability to expand our business and result in damage to our reputation **. We are subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties. The Community Reinvestment Act (the " CRA "), the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. With respect to the Bank, the NY DFS, FRB, the United States Department of Justice and other federal and state agencies are responsible for enforcing these laws and regulations. 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. 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** . The policies of the Federal Reserve have a significant impact on our earnings. The policies of the Federal Reserve impact us significantly. The Federal Reserve regulates the supply of money and credit in the United States. Its policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest- bearing deposits and can also affect the value of financial instruments we hold. Those policies determine, to a significant extent, our cost of funds for lending and investing and impact our net interest income, our primary source of revenue. Changes in those policies are beyond our control and are difficult to predict. Federal Reserve policies can also affect our borrowers, potentially increasing the risk that they may fail to repay their loans. For example, a tightening of the money supply by the Federal Reserve could reduce the demand for a borrower' s products and services. This could adversely affect the borrower' s earnings and ability to repay its loan, which could have a material adverse effect on our financial condition and results of operations **. Regulatory scrutiny of bank provision of BaaS solutions and related technology considerations has recently increased. We provide BaaS products and services to third parties. The third parties that use these BaaS solutions, and with which we may partner in marketing efforts, are typically considered FinTech companies but may also include other financial intermediaries. Recently, federal bank regulators have increasingly focused on the risks related to bank and FinTech company partnerships, raising potential concerns regarding risk management, oversight, internal controls, information security, change management, and information technology operational resilience. There have been regulatory enforcement actions against other banks that have not adequately addressed these potential concerns while growing their BaaS offerings. Accordingly, we could be subject to additional regulatory scrutiny with respect to that portion of our business.- 24- We have implemented a program to provide financial products and services to customers that do business in the cannabis industry and the strict enforcement of federal laws and regulations regarding cannabis could result in our inability to continue to provide financial products and services to these customers and we could have legal action taken against us by the federal government and exposure to additional liabilities and regulatory compliance costs. Offering financial products and services to the cannabis industry presents a unique set of regulatory risks due to the conflict between state and federal laws. While the possession and sale of recreational marijuana is legal for adults aged 21 and older in New York State, cannabis remains classified as a Schedule I controlled substance under the federal Controlled Substances Act. In January 2018, the DOJ rescinded the " Cole Memo " and related memoranda which characterized the enforcement of the Controlled Substances Act against persons and entities complying with state regulatory systems permitting the use, manufacture and sale of medical marijuana as an inefficient use of their prosecutorial resources and discretion. The impact of the DOJ' s rescission of the Cole Memo and related memoranda is unclear, but in the future may result in increased enforcement actions against the regulated cannabis industry generally. More recently, the United States Attorney General has indicated that the DOJ under his leadership does not intend to pursue cases against parties who comply with the laws in states which have legalized and are effectively regulating marijuana. However, enforcement policies and practices may be highly variable between political administrations. In addition, federal prosecutors have significant discretion and there can be no assurance that the federal prosecutor for any district in which we or our customers operate will not choose to strictly enforce the federal laws governing cannabis. Any enforcement action against a cannabis- related business customer of ours could affect our results of operation and financial condition. Additionally, as the possession and use of cannabis remains illegal under the Controlled Substances Act, we may be deemed to be aiding and abetting illegal activities through the services that we provide to such customers and could have legal action taken against us by the federal government, including imprisonment and fines. The FinCEN published guidelines in 2014**

for financial institutions servicing state- legal cannabis businesses. These guidelines clarify how financial institutions can provide services to marijuana- related businesses in a " manner consistent with their obligations to know their customers and to report possible criminal activity. " The Bank has and will continue to follow this and other FinCEN guidance in the areas of cannabis banking. However, there can be no assurance that compliance with FinCEN' s guidelines will protect us from federal prosecution or other regulatory sanctions. Any change in position or potential action taken against us could result in significant financial damage to us and our stockholders. Additionally, while we believe our Bank Secrecy Act / Anti- Money Laundering (" BSA / AML ") policies and practices for our cannabis banking program are sufficient, the recreational cannabis business is considered high- risk, and our BSA / AML program will be subject to increased regulatory scrutiny. Any real or perceived shortcomings in our BSA / AML program may result in regulatory action against us and may prevent us from undertaking mergers and acquisitions or other expansion activities . Risks Related to Non- Banking Activities Our insurance brokerage subsidiary is subject to risk related to the insurance industry. SDN derives the bulk of its revenue from commissions and fees earned from brokerage services. SDN does not determine the insurance premiums on which its commissions are based. Insurance premiums are cyclical in nature and may vary widely based on market conditions. As a result, insurance brokerage revenues and profitability can be volatile. As insurance companies outsource the production of premium revenue to non- affiliated brokers or agents such as SDN, those insurance companies may seek to further minimize their expenses by reducing the commission rates payable to insurance agents or brokers, which could adversely affect SDN' s revenues. In addition, there have been and may continue to be various trends in the insurance industry toward alternative insurance markets including, among other things, increased use of self- insurance, captives, and risk retention groups. While SDN has been able to participate in certain of these activities and earn fees for such services, there can be no assurance that we will realize revenues and profitability as favorable as those realized from SDN' s traditional brokerage activities. Our investment advisory and wealth management operations are subject to risk related to the regulation of the financial services industry and market volatility. The financial services industry is subject to extensive regulation at the federal and state levels. It is very difficult to predict the future impact of the legislative and regulatory requirements affecting our business. The securities laws and other laws that govern the activities of our registered investment advisor are complex and subject to change. The activities of our investment advisory and wealth management operations are subject primarily to provisions of the Advisers Act and the Employee Retirement Income Act of 1940, as amended (" ERISA "). We are a fiduciary under ERISA. Our investment advisory services are also subject to state laws including anti- fraud laws and regulations. In addition, the broker- dealer services provided by Courier Capital ~~and HNP Capital~~ are subject to Regulation Best Interest, which requires a broker- dealer to act in the best interest of a retail customer when making a recommendation to that customer of any securities transaction or investment strategy involving securities. The regulation imposes heightened standards on broker- dealers and will require us to review and modify the policies and procedures of our wealth management operations, as well as associated supervisory and compliance controls.- 25- Any claim of noncompliance, regardless of merit or ultimate outcome, could subject us to investigation by the SEC or other regulatory authorities or harm our reputation and customer relationships. Our compliance processes may not be sufficient to prevent assertions that we failed to comply with any applicable law, rule or regulation. If our investment advisory and wealth management operations are subject to investigation by the SEC or other regulatory authorities or if litigation is brought by clients based on our failure to comply with applicable regulations, our results of operations could be materially adversely affected. Our investment advisory revenue may decrease as a result of poor investment performance, in either relative or absolute terms, which could decrease our revenues and net income. Our investment advisory business derives a significant amount of its revenues from investment management fees based on assets under management. Our ability to maintain or increase assets under management is subject to a number of factors, including our clients' evaluation of the past performance of our investment advisory business, in either relative or absolute terms, general market and economic conditions, and competition from other investment management firms. A decline in the fair value of the assets under management would decrease our investment advisory revenue. Investment performance is one of the most important factors in retaining existing investment advisory clients and competing for new investment advisory clients. Poor investment performance could reduce our investment advisory revenues and impede the growth of our investment advisory business in the following ways: existing clients may withdraw funds from our investment advisory business in favor of better performing products or firms; asset- based management fees could decline from a decrease in assets under management; our ability to attract funds from existing and new clients might diminish; and the investment advisory personnel may depart to join a competitor or otherwise. Strategic and Operational Risks We make certain assumptions and estimates in preparing our financial statements that may prove to be incorrect, which could significantly impact our results of operations, cash flows and financial condition, and we are subject to new or changing accounting rules and interpretations, and the failure by us to correctly interpret or apply these evolving rules and interpretations could have a material adverse effect. Accounting principles generally accepted in the United States require us to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves and reserves related to litigation, among other items. Certain of our financial instruments, including available- for- sale securities and certain loans, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means, which ultimately rely to some degree on management judgment. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, as they are based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses that would impact our results of operations, cash flows and financial condition. As indicated in Note 1, Summary of Significant Accounting Policies ~~-~~ – Recent Accounting Pronouncements, to the Consolidated Financial

Statements included in Item 8 of this Annual Report on Form 10- K, the regulations, rules, standards, policies, and interpretations underlying GAAP are constantly evolving and may change significantly over time. ~~In particular, effective January 1, 2020, we implemented FASB' s Accounting Standards Update 2016- 13, Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments, which requires us to recognize an allowance for credit losses based on historical experience, current conditions and reasonable and supportable forecasts, as opposed to recognizing an allowance when it is probable that a loss has been incurred. This change in GAAP increased our allowance for credit losses and created more volatility in the level of our allowance for credit losses, and has been, and will continue to be, impacted by the Company' s loan and securities portfolios' composition, attributes and quality.~~ If we fail to interpret any one or more of these GAAP provisions correctly, or if our methodology in applying them to our financial reporting or disclosures is at all flawed, our financial statements may contain inaccuracies that, if severe enough, could warrant a later restatement by us, which in turn could result in a material adverse event. The value of our goodwill and other intangible assets may decline in the future. As of December 31, ~~2022~~ **2023** , we had $ 67. 1 million of goodwill and $ ~~6~~ **5** . ~~3~~ **4** million of other intangible assets. Significant and sustained declines in our stock price and market capitalization, significant declines in our expected future cash flows, significant adverse changes in the business climate or slower growth rates may necessitate our taking charges in the future related to the impairment of our goodwill. Future regulatory actions could also have a material impact on assessments of goodwill for impairment. If the fair value of our net assets improves at a faster rate than the market value of our reporting units, or if we were to experience increases in book values of a reporting unit in excess of the increase in fair value of equity, we may also have to take charges related to the impairment of our goodwill. If we were to conclude that a future write- down of our goodwill is necessary, we would record the appropriate charge, which could have a material adverse effect on our results of operations. ~~- 26-~~ Identifiable intangible assets other than goodwill consist of core deposit intangibles and other intangible assets (primarily customer relationships). Adverse events or circumstances could impact the recoverability of these intangible assets including loss of core deposits, significant losses of customer accounts and / or balances, increased competition or adverse changes in the economy. To the extent these intangible assets are deemed unrecoverable, a non- cash impairment charge would be recorded which could have a material adverse effect on our results of operations. **- 26-** We may be unable to successfully implement our growth strategies, including the integration and successful management of newly- acquired businesses. Our current growth strategy is multi- faceted. We seek to expand our branch network into nearby areas, continue to invest in our digital banking strategy, develop new sustainable revenue streams through BaaS, make strategic acquisitions of loans, portfolios, other regional banks and non- banking firms whose businesses we feel may be complementary with ours, and to continue to organically grow our core deposits. Any failure by us to effectively implement any one or more of these growth strategies could have several negative effects, including a possible decline in the size or the quality, or both, of our loan portfolio or a decrease in profitability caused by an increase in operating expenses. We hope to continue an active merger and acquisition strategy. However, even if we use our common stock as the predominant form of consideration, we may need to raise capital to negotiate a transaction on terms acceptable to us and there can be no assurance that we will be able to raise a sufficient amount of capital to enable us to complete an acquisition. It is also possible that even with adequate capital we may still be unable to complete an acquisition on favorable terms, causing us to miss opportunities to increase our earnings and expand or diversify our operations. Our growth strategy is also dependent upon the successful integration of new businesses and any future acquisitions into our existing operations. While our senior management team has had extensive experience in acquisitions and post- acquisition integration, there is no guarantee that our current or future integration efforts will be successful, and if our senior management is forced to spend a disproportionate amount of time on integrating recently- acquired businesses, it may distract their attention from operating our business or pursuing other growth opportunities. Acquisitions may disrupt our business and dilute shareholder value. We intend to continue to pursue a growth strategy for our business by expanding our branch network into communities within or complementary to markets where we currently conduct business. We may consider acquisitions of loans or securities portfolios, lending or leasing firms, commercial and small business lenders, residential lenders, direct banks, banks or bank branches, wealth and investment management firms, securities brokerage firms, specialty finance or other financial services- related companies. We ~~also intend to expand our non- banking subsidiaries, SDN, Courier Capital and HNP Capital, by acquiring smaller insurance agencies, such as Landmark and North Woods and wealth management firms in areas which complement our current footprint. We~~ may be unsuccessful in expanding our non- banking subsidiaries through acquisition because of the growing interest in our industry in acquiring insurance brokers and wealth management firms, which could make it more difficult for us to identify appropriate targets and could make such acquisitions more expensive. Even if we are able to identify appropriate acquisition targets, we may not have sufficient capital to fund acquisitions or be able to execute transactions on favorable terms. If we are unable to pursue our growth strategy, we may not be able to achieve all of the expected benefits of our historical acquisitions, which could adversely affect our results of operations and financial condition. Acquiring other banks, businesses, or branches involves potential adverse impact to our financial results and various other risks commonly associated with acquisitions, including, among other things: • difficulty in estimating the value of the target company; • payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short and long term; • potential exposure to unknown or contingent liabilities of the target company; • exposure to potential asset quality issues of the target company; • volatility in reported income as goodwill impairment losses could occur irregularly and in varying amounts; • challenge and expense of integrating the operations and personnel of the target company; • inability to realize the expected revenue increases, cost savings, increases in geographic or product presence, and other projected benefits; • potential disruption to our business; • potential diversion of our management' s time and attention; • the possible loss of key employees and customers of the target company; • potential changes in banking or tax laws or regulations that may affect the target company; and • additional regulatory burdens associated with new lines of business. ~~- 27-~~ Our tax strategies and the value of our deferred tax assets and liabilities could adversely affect our operating results and regulatory capital ratios. Our tax strategies are dependent upon our ability to generate taxable income in future periods. Our tax strategies will be less effective in the event we fail to generate taxable income. Our deferred tax assets are subject to an evaluation of whether it is more likely than not that they will be realized for financial statement purposes. In making this determination, we consider all positive and negative evidence available including the impact of recent operating results, reversals of existing taxable temporary differences, tax planning strategies and projected earnings within the statutory tax loss carryover period. If we were to conclude that a significant portion of our deferred tax assets were not more likely than not to be realized, the required valuation allowance could adversely affect our financial position, results of operations and regulatory capital ratios. In addition, the value of our deferred tax assets could be adversely affected by a change in statutory rates. **- 27-** Liquidity is essential to our businesses. Liquidity is essential to our business as we must be able to meet the cash needs of borrowers and depositors. Our liquidity could be impaired by an inability to access the capital markets or unforeseen outflows of cash. Reduced liquidity may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects third parties or us. Our efforts to monitor and manage liquidity risk may not be successful or sufficient to deal with dramatic or unanticipated reductions in our liquidity. In such events, our cost of funds may increase, thereby reducing our net interest income, or we may need to sell a portion of our investment and / or loan portfolio, which, depending upon market conditions, could result in us realizing a loss. We rely on dividends from our subsidiaries for most of our revenue. We are a separate and distinct legal entity from our subsidiaries. A substantial portion of our revenue comes from dividends from our Bank subsidiary. These dividends are the principal source of funds we use to pay dividends on our common and preferred stock, and to pay interest and principal on our debt. Federal and / or state laws and regulations limit the amount of dividends that our Bank subsidiary may pay to us. Also, our right to participate in a distribution of assets upon a subsidiary' s liquidation or reorganization is subject to the prior claims of the subsidiary' s creditors. In the event our Bank subsidiary is unable to pay dividends to us, we may not be able to service debt, pay obligations, or pay dividends on our common and preferred stock. The inability to receive dividends from our Bank subsidiary could have a material adverse effect on our business, financial condition, and results of operations. If our risk management framework does not effectively identify or mitigate our risks, we could suffer losses. Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor and report the types of risk to which we are subject, including credit risk, operations risk, compliance risk, reputation risk, strategic risk, market risk, and liquidity risk. We seek to monitor and control our risk exposure through a framework of policies, procedures and reporting requirements. Management of our risks in some cases depends upon the use of analytical and / or forecasting models. If the models used to mitigate these risks are inadequate, we may incur losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and could be materially adversely affected. ~~Public health emergencies~~ **Market Risks We are subject to interest rate risk** , ~~like~~ **and fluctuations in market interest rates may affect our interest margins and income, demand for our products, defaults on loans, loan prepayments and** the ~~COVID the~~ fair value of our financial instruments.Our earnings and cash flows depend largely upon our net interest income.Interest rates are highly sensitive to many factors that are beyond our control,including general economic conditions and policies of governmental and regulatory agencies,particularly the Federal Reserve.Changes in monetary policy,including changes in interest rates,could influence the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings,which may affect our net interest margins.Such changes could also affect (i) demand for our products and services and price competition,in turn affecting our ability to originate loans and obtain deposits;(ii) the fair value of our financial assets and liabilities;(iii) the average duration of our **mortgage** - ~~19 outbreak~~ **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 Federal Reserve implemented monetary tightening policies, resulting in significantly increased interest rates. 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, our net interest income, and therefore earnings, could be adversely affected. In addition, our net interest margin** may ~~may~~ contract in a rising rate environment because our funding costs may increase faster than the yield we earn on our 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 our 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 Federal Reserve held the federal reference rate near 0.00 %,loans may be prepaid sooner than we expect,which could result in a delay between when we receive the prepayment and when we are able to redeploy the funds into new interest- earning assets and in a decrease in the amount of interest income we are able to earn on those assets.If we are unable to manage these risks effectively,our 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 our financial condition** ~~an~~ **and** ~~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 Federal Reserve held the federal reference rate near 0.00 %,loans may be prepaid sooner than we expect,which could result in a delay between when we receive the prepayment and when we are able to redeploy the funds into new interest- earning assets and in a decrease in the amount of interest income we are able to earn on those assets.If we are unable to manage these risks effectively,our 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 our financial condition and~~ results of operations.Also,our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet. **- 28-** The soundness of other financial institutions could adversely affect us.Financial services institutions are interrelated as a result of trading,clearing,counterparty,or other relationships.We have exposure to many different industries and counterparties,and we routinely execute transactions with counterparties in the financial services industry,including commercial banks,brokers and dealers,investment banks,and other institutional clients.Many of these transactions expose us to credit risk in the event of a default by our counterparty or client.In addition,our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due us.Any such losses could have a material adverse effect on our financial condition and results of operations. **Additionally,in early 2023,the failures of Silicon Valley Bank,Signature Bank,and First Republic Bank resulted in decreased confidence in banks among depositors,other counterparties and investors.Such events and developments could materially and adversely affect our business or financial condition,including through declines in deposits,increased costs of funds,potential liquidity pressures,increased regulation,and declines and volatility in the price of our common stock.** We may need to raise additional capital in the future and such capital may not be available on acceptable terms or at all.We may need to raise additional capital in the future to provide sufficient capital resources and liquidity to meet our commitments and business needs.In addition,we are highly regulated,and our regulators could require us to raise additional common equity in the future.We and our regulators perform a variety of analyses of our assets,including the preparation of stress case scenarios,and as a result of those assessments we could determine,or our regulators could require us,to raise additional capital.Our ability to raise additional capital,if needed,will depend on our financial performance and,among other things,conditions in the capital markets at that time,which are outside of our control.We may not be able to access required capital on acceptable terms or at all **.Any occurrence that may limit our access to the capital markets,such as a decline in the confidence of debt purchasers,depositors of the Bank or counterparties participating in the capital markets,or a downgrade of our debt rating,may adversely affect our capital costs and ability to raise capital and,in turn,our liquidity.An inability to raise additional capital on acceptable terms when needed could have a material** adverse impact on our business ~~and~~ **, financial condition,** results of operations **or liquidity. Technology and Cybersecurity Risks We face competition in staying current with technological changes and banking alternatives to compete and meet customer demands** . The ~~COVID~~ **financial services market, including banking services, faces rapid changes with frequent introductions of new technology** - ~~19 pandemic~~ driven products and services.Our future success may depend,in part,on our ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in our operations.Some of our competitors have substantially greater resources to invest in technological improvements than we currently have.We may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers.In addition,technology and other changes are allowing consumers to utilize alternative methods to complete financial transactions that have historically involved banks.For example,consumers can now maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits.Consumers can also complete transactions such as paying bills and transferring funds directly without using a traditional bank as an intermediary.The process of eliminating banks as intermediaries could result in the loss of customer deposits,the related income generated from those deposits and additional fee income.We may not be able to effectively compete with these banking alternatives for consumer deposits.As a result,our ability to effectively compete to retain or acquire new business may be impaired,and our business,financial condition or results of operations,may be adversely affected.We rely on other companies to provide key components of our business infrastructure.Third- party vendors provide key components of our business infrastructure such as internet connections,network access and core application processing.While we have selected these third- party vendors carefully,we do not control their actions.Any problems caused **by these third parties, including as a result of them not providing us their services for any reason or them performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. Replacing these third- party vendors could also entail** significant ~~economic dislocation in~~ **delay and expense.- 29- Third parties perform significant operational services on our behalf. These third- party vendors are subject to similar risks as us relating to cybersecurity, breakdowns or failures of** ~~the~~ **their** ~~United States~~ **own systems or employees. One or more of our vendors may experience a cybersecurity event or operational disruption and, if any such event does occur, it may not be adequately addressed, either operationally or financially, by the third- party vendor** . Certain ~~industries were particularly hard~~ **of our vendors may have limited indemnification obligations or may not have the financial capacity to satisfy their indemnification obligations. Financial or operational difficulties of a vendor could also impair our operations if those difficulties interfere with the vendor' s ability to serve us. If a critical vendor is unable to meet our needs in a timely manner or if the services or products provided by such a vendor are terminated or otherwise delayed and if we are not able to develop alternative sources for these services and products quickly and cost** - **effectively,** ~~hit~~ - **it could have a material adverse effect on our business. Federal banking regulators have proposed rules on managing the risks of how banks select, engage and manage their outside vendors and issued voluntary guidance for banks on similar issues. These regulations and guidance may affect the circumstances and conditions under which we work with third parties and the cost of managing such relationships. A breach in security of our or third- party information systems** , including the **occurrence** ~~travel and hospitality industry, the restaurant industry, the retail industry, the healthcare industry, restaurants and food services, and entertainment and recreation. As~~ of **a cyber incident** ~~December 31, 2022, our~~ - **or** ~~loans~~ **a deficiency in cybersecurity, or a failure by us** to **comply** with New York State cybersecurity regulations,may subject us to liability,result in a loss of customer business or damage our brand image.We rely heavily on communications,information systems (both internal and provided by third parties) and the internet to conduct our business.Our business depends on our ability to process and monitor a large volume of daily transactions in compliance with legal,regulatory and internal standards and specifications.In addition,a significant portion of our operations relies heavily on the secure processing,storage and transmission of personal and confidential information of our ~~customers~~ customers ~~in~~ **and clients.** ~~these~~ **These** ~~industries constituted approximately 7 % of~~ **risks may increase in the future as** our ~~total loan portfolio~~ **customers continue to adapt to mobile payment and other internet- based product offerings and we expand the availability of web- based products and applications** . ~~We~~ **In addition, several U. S. financial institutions** have experienced **governments.Those same parties may also** attempt to fraudulently induce employees,customers or other users of our systems to disclose sensitive information in order to gain access to our data or that of our customers or clients.We are also subject to the risk that our employees may intercept and transmit unauthorized confidential or proprietary information.An interception,misuse or mishandling of personal,confidential or proprietary information being sent to or received from a customer or third party could result in legal liability,remediation costs,regulatory action and reputational harm,any of which could adversely affect our results of operations and financial condition.We are subject to cybersecurity regulations promulgated by the NY DFS.Any failure by us to comply with these regulations could also result in regulatory sanctions,public disclosure and reputational damage even if we do not experience a significant cybersecurity breach. **- 30-** Furthermore,as the threat of cyber- attacks continue to evolve,we may be required to expend significant additional resources to continue to modify or enhance our systems,or to investigate and remediate vulnerabilities in our systems.Due to the complexity and interconnectedness of information technology systems,the process of enhancing our systems can itself create a risk of systems disruptions and security issues.Risks Related to our Common Stock We may not pay or may reduce the dividends on our common stock.Holders 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.This could adversely affect the market price of our common stock. ~~- 30-~~ We may issue debt and equity securities or securities convertible into equity securities,any of which may be senior to our common stock as to distributions and in liquidation,which could dilute our current shareholders or negatively affect the value of our common stock.In the future,we may attempt to increase our capital resources by entering into debt or debt- like financing that is unsecured or secured by all or up to all of our assets,or by issuing additional debt or equity securities,which could include issuances of secured or unsecured commercial paper,medium- term notes,senior notes,subordinated notes,preferred stock or securities convertible into or exchangeable for equity securities.In the event of our liquidation,our lenders and holders of our debt and preferred securities would receive a distribution of our available assets before distributions to the holders of our common stock.For example,our outstanding shares of Series A 3 % and Series B- 1 8.48 % Preferred Stock have a preferential right to receive dividends before holders of our common stock.We must declare and pay annual dividends of $ 3 per share to Series A 3 % Preferred Stock holders and of $ 8.48 per share to Series B- 1 8.48 % Preferred Stock holders before any dividends or dissolution payments can be paid to holders of common stock.Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other ~~factors beyond our control,we cannot~~ charge- offs **, reserves, and other purposes. The models used may not accurately account for all variables** that ~~were precipitated~~ **could affect future results, may fail to predict outcomes accurately and / or may overstate or understate certain effects. As a result of these potential failures, we may not adequately prepare for future events and may suffer losses or other setbacks due to these failures. We depend on the accuracy and completeness of information about or from customers and counterparties. In deciding whether to extend credit or enter into other transactions, we may rely on information furnished** by **or on behalf of customers and counterparties, including financial statements, credit reports, and** ~~the~~ **other** ~~COVID- 19 pandemic~~ **financial information. We may also rely on representations of those customers, counterparties, or other third parties** , such as **independent auditors, as to the accuracy** ~~an~~ **and completeness** ~~$ 8. 2 million charge- off~~ - **of that information** ~~of a $ 11~~ . ~~9 million commercial loan in~~ **Reliance on inaccurate or misleading financial statements, credit reports, or** ~~the~~ **other financial information could** ~~hotel, motel and lodging industry in the first quarter of 2020 and related foreclosure in the third quarter of 2020. Additionally, the spread of COVID- 19 temporarily caused~~ - **cause** us to ~~modify our business practices~~ **enter into unfavorable transactions** , ~~including placing restrictions on employee travel and implementing remote work practices. Given the dynamic nature of the pandemic, it is difficult to predict the full impact of the COVID- 19 outbreak on our business. As a result of a public health emergency, including the COVID- 19 pandemic, and the related adverse local and national consequences, and as a result of governmental, consumer and business responses to any outbreak, we may be subject to the following risks, any of~~ which could have a material ~~,~~ adverse effect on our ~~business,~~ financial condition **and** ~~, liquidity, or~~ results of operations ~~:~~ **. Our business may be adversely affected by conditions in the financial markets and economic conditions generally, including macroeconomic pressures such as inflation, supply chain issues, and geopolitical risks associated with international conflict. Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as** demand for ~~of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans,as well as demand for~~ loans and other products and services we offer,is highly dependent on the business environment in the markets where we operate,in the State of New York and in the United States as a whole.Additionally,international conflict,such as the war in Ukraine and the impact of sanctions on Russia and Russian companies may impact global markets,which may create unfavorable or uncertain economic conditions.A favorable business environment is generally characterized by,among other factors,economic growth,efficient capital markets,low inflation,low unemployment,high business and investor confidence,and strong business earnings.Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth,business activity or investor or business confidence;limitations on the availability or increases in the cost of credit and capital;increases in inflation or interest rates;high unemployment,natural disasters;or a combination of these or other factors.The occurrence of any of these conditions could have a material adverse effect on our financial condition and results of operations.Severe weather,natural disasters,public health emergencies and pandemics,acts of war or terrorism,and other external events could significantly impact our business.Severe weather,natural disasters,public health emergencies and pandemics,acts of war or terrorism, **geopolitical conflicts,** and other adverse external events could have a significant impact on our ability to conduct business.Such events could affect the operations of our bank branches,stability of our deposit base,impair the ability of borrowers to repay outstanding loans,impair the value of collateral securing loans,cause significant **property damage,result in loss of revenue,and / or cause us to incur additional expenses.Additionally,demand for** our products and services may decline; ~~if consumer and business activities are restricted,~~ loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; collateral for loans ~~, especially real estate,~~ may decline in value, which could increase loan losses; our allowance for credit losses may have to be increased if borrowers experience financial difficulties; a material decrease in net income ~~or a net loss over several quarters~~ could affect our ability to pay cash dividends; ~~cyber security~~ **cybersecurity** risks may be increased as the result ~~of an increase in the number~~ of employees working remotely; critical services provided by third- party vendors may become unavailable; government actions and ~~vaccine~~ mandates ~~in response to the pandemic~~ may affect our workforce ~~, - 28- human capital resources~~ and infrastructure; and the Company may experience staffing shortages and unanticipated unavailability or loss of key employees , harming our ability to execute our......, resulting in significantly increased interest rates . The Federal Reserve has signaled that further tightening...... acceptable terms or at all. Any occurrence ~~that may limit our access to the capital markets, such as a decline in the confidence~~ of debt purchasers, depositors of the Bank...... event or operational disruption and, if any such event ~~does occur, it may not be adequately addressed, either operationally or financially, by the third- party vendor. Certain of our~~ - **or a combination of** ~~vendors may have limited indemnification obligations or may not have the financial capacity to satisfy their~~ -- **the** indemnification obligations. Financial or operational difficulties...... linked to terrorist organizations or hostile foreign - **foregoing** governments. Those same parties may also...... will depend on market conditions and other factors beyond our control, we cannot predict....... The occurrence of any such event could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. Negative public opinion could damage our reputation and impact business operations and revenues. As a financial institution, our earnings and capital are subject to risk associated with negative public opinion. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices, the failure of any of our products or services to meet our clients' expectations or applicable regulatory requirements, corporate governance and acquisitions, social media and other marketing activities, the implementation of environmental, social and governance practices or actions taken by government regulators and community organizations in response to any of the foregoing. Negative public opinion could affect our ability to attract and / or retain clients, could expose us to litigation and regulatory action, and could have a material adverse effect on our stock price or result in heightened volatility. Negative public opinion could also affect our ability to borrow funds in the unsecured wholesale debt markets. **- 32-** Environmental, social and governance matters, and any related reporting obligations may impact our business. U. S. and international regulators, investors and other stakeholders are increasingly focused on environmental, social, and governance (" ESG ") matters. Additionally, shareholder activism and potential regulatory reform may lead to substantial new regulations and ~~- 32-~~ disclosure obligations, including with respect to ESG matters, which may lead to additional compliance costs and impact the manner in which we operate our business in ways that may materially adversely impact our results of operations and financial condition. We could also face potential negative publicity in traditional media or social media if investors determine that we have not adequately considered or addressed ESG matters, which may result in adverse effects on the trading price of our common stock.