

Risk Factors Comparison 2025-03-12 to 2024-03-08 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

The Corporation is exposed to a variety of risks, some of which are inherent in the banking business. The more significant of these are addressed by the Corporation's written policies and procedures. While management is responsible for identifying, assessing and managing risk, the Board of Directors is responsible for risk oversight. The Board fulfills its risk oversight responsibilities largely through its committees. The following provides information regarding material risk factors faced by the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems to be immaterial, could also have a material impact on the Corporation's business, financial condition or results of operations.

Merger Activity There is no assurance when or even if the merger will be completed. Completion of the merger is subject to satisfaction or waiver of a number of conditions. The Corporation and ConnectOne currently anticipate the merger will close in the second quarter of 2025, however there can be no assurance that the Corporation and ConnectOne will be able to satisfy the closing conditions or that closing conditions beyond their control will be satisfied or waived. Additionally, the Corporation and / or ConnectOne can terminate the Merger Agreement under specified circumstances. Because the market price of ConnectOne common stock will fluctuate, the value of the merger consideration to be received by our shareholders may change. On September 4, 2024, the Corporation announced the signing of the Merger Agreement with ConnectOne, pursuant to which the Corporation will merge with and into ConnectOne, with ConnectOne as the surviving entity. Under the terms of the Merger Agreement and upon completion of the merger, each share of the Corporation's common stock (other than certain shares held by the Corporation or ConnectOne), will be converted into the right to receive 0.5175 shares of common stock of ConnectOne. The closing price of ConnectOne's common stock on the date that the merger is completed may vary from the closing price of ConnectOne's common stock on the date ConnectOne and the Corporation announced the signing of the Merger Agreement and the date of the special meeting of the Corporation's shareholders regarding the merger. Because the merger consideration is determined by a fixed exchange ratio, the Corporation's shareholders will not know or be able to calculate the value of the shares of ConnectOne's common stock they will receive upon completion of the merger. Any change in the market price of ConnectOne's common stock prior to completion of the merger may affect the value of the merger consideration. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in the companies' respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of ConnectOne and the Corporation. Regulatory approvals required to complete the merger may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met. Before the merger may be completed, the Corporation and ConnectOne must obtain approvals from, or provide notice to, the FRB, the FDIC and the New Jersey Department of Banking and Insurance. Other approvals, waivers or consents from regulators may also be required. In determining whether to grant these approvals, the applicable regulatory authorities consider a variety of factors, including the competitive impact of the proposal in the relevant geographic markets; financial, managerial and other supervisory considerations of each party; convenience and needs of the communities to be served and the record of the insured depository institution subsidiaries under the Community Reinvestment Act of 1977 and the regulations promulgated thereunder; effectiveness of the parties in combating money laundering activities; any significant outstanding supervisory matters; and the extent to which the proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system. These regulatory authorities may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying completion of the merger or of imposing additional costs or limitations on the combined company following the merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, or may contain conditions on the completion of the merger that are not anticipated or cannot be met. If the consummation of the merger is delayed, including by a delay in receipt of necessary regulatory approvals, the business, financial condition and results of operations of the Corporation may also be materially and adversely affected. Failure to complete the merger, the termination of the Merger Agreement or a significant delay in the consummation of the merger could negatively impact the Corporation. The Merger Agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. These conditions for the consummation of the merger may not be fulfilled and, accordingly, the merger may not be completed. In addition, if the merger is not completed by September 4, 2025, either ConnectOne or the Corporation may choose to terminate the Merger Agreement at any time after that date, provided that the failure to complete the merger on or before that date is not due to the failure of the party seeking to terminate the Merger Agreement to perform or observe the covenants and agreements of such party under the Merger Agreement. If the merger is not consummated, the ongoing business, financial condition and results of operations of the Corporation may be materially adversely affected and the market price of the Corporation's common stock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the merger will be consummated. In addition, the Corporation has incurred and will further incur substantial expenses in connection with the completion of the merger. If the merger is not completed, the Corporation would have to recognize these expenses without realizing the expected benefits of the merger. Any of the foregoing, or other risks arising in connection with the failure of or delay in consummating the merger, including the diversion of management attention from pursuing other opportunities and the constraints in the Merger Agreement on

the ability to make significant changes to the Corporation's ongoing business during the pendency of the merger, could have a material adverse effect on the Corporation's business, financial condition and results of operations. If the Merger Agreement is terminated and the Corporation's board of directors seeks another merger or business combination, the Corporation's shareholders cannot be certain that the Corporation will be able to find a party willing to engage in a transaction on more attractive terms than the merger with ConnectOne. The Corporation will be subject to business uncertainties and contractual restrictions while the merger is pending. Uncertainty about the effect of the merger on employees, customers and vendors may have an adverse effect on the business, financial condition and results of operations of the Corporation. These uncertainties may impair the Corporation's ability to attract, retain and motivate key personnel and customers pending the consummation of the merger, as such key personnel and customers may experience uncertainty about their future roles and relationships following the consummation of the merger. Additionally, these uncertainties could cause customers, vendors and others who deal with the Corporation to seek to change existing business relationships with the Corporation or fail to extend an existing relationship with the Corporation. In addition, competitors may target the Corporation's existing customers by highlighting potential uncertainties and integration difficulties that may result from the merger. The pursuit of the merger and the preparation for the integration may place a burden on the Corporation's management and internal resources. Any significant diversion of management attention away from ongoing business concerns and any difficulties encountered in the transition and integration process could have a material adverse effect on the Corporation's business, financial condition and results of operations. In addition, the Merger Agreement restricts each party from taking certain actions without the other party's consent while the merger is pending. These restrictions could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Merger Agreement limits the per share cash dividend that the Corporation may pay after June 30, 2025. Pursuant to the Merger Agreement, the Corporation may continue to declare and pay a quarterly cash dividend on its capital stock not to exceed the current rate of \$ 0. 21 per quarter per share. However, if the closing of the merger has not occurred by June 30, 2025, the Corporation may pay a quarterly cash dividend in an amount not to exceed the equivalent per share quarterly cash dividend paid by ConnectOne on shares of its common stock (i. e., the quarterly per share cash dividend on each share of ConnectOne common stock multiplied by the exchange ratio) for each quarter until the closing. Based on ConnectOne's current quarterly cash dividend of \$ 0. 18 per share and the 0. 5175 exchange ratio, the permitted quarterly cash dividend on FLIC common stock would be \$ 0. 09 per share. ConnectOne and the Corporation currently anticipate the merger will close in the second quarter of 2025, subject to customary closing conditions, including regulatory approvals. There is no assurance that the merger will close by June 30, 2025, or at all, or that the Corporation will continue to pay its quarterly cash dividend at the rate of \$ 0. 21 per share through June 30, 2025. The Merger Agreement contains provisions that may discourage other companies from pursuing, announcing or submitting a business combination proposal to the Corporation that might result in greater value to the Corporation's shareholders. The Merger Agreement contains provisions that may discourage a third party from pursuing, announcing or submitting a business combination proposal to the Corporation that might result in greater value to the Corporation's shareholders than the merger with ConnectOne. These provisions include a general prohibition on the Corporation from soliciting, or, subject to certain exceptions, entering into discussions with any third party regarding any acquisition proposal or offers for competing transactions. Furthermore, if the Merger Agreement is terminated, under certain circumstances, the Corporation may be required to pay ConnectOne a termination fee of approximately \$ 11. 8 million. Litigation against the Corporation or ConnectOne, or the members of the Corporation's or ConnectOne's board of directors, could prevent or delay the completion of the merger. Purported shareholder plaintiffs may assert legal claims related to the merger. The results of any such potential legal proceeding would be difficult to predict and such legal proceedings could delay or prevent the merger from being completed in a timely manner. Moreover, any litigation could be time consuming and expensive, and could divert attention of the Corporation's and ConnectOne's respective management teams away from their companies' regular business. Any lawsuit adversely resolved against the Corporation, ConnectOne or members of their respective boards of directors, could have a material adverse effect on each party's business, financial condition and results of operations. One of the conditions to the consummation of the merger is the absence of any law, order, decree or injunction (whether temporary, preliminary or permanent) or other action taken by the governmental authority of competent jurisdiction that restricts, enjoins or prohibits or makes illegal the consummation of the transaction contemplated by the Merger Agreement, including the merger. Consequently, if a settlement or other resolution is not reached in any lawsuit that is filed or any regulatory proceeding and a claimant secures injunctive or other relief or a governmental authority issues an order or other directive restricting, prohibiting or making illegal the completion of the transaction contemplated by the Merger Agreement, including the merger, then such injunctive or other relief may prevent the merger from being completed in a timely manner or at all. Economic and Market Area A worsening of national or local economic conditions could adversely affect our financial condition and results of operations. Deteriorating economic conditions could significantly affect the markets in which we do business, the value of our loans and investments, the value of real estate collateral securing our mortgage loans, the financial strength of our borrowers and our on- going operations, costs and profitability. A recession or slowed economic conditions could lead to decreased consumer spending and lower profits, while rising interest rates could increase borrower costs and make it more difficult for companies to access capital. Declines in real estate values, sales volumes and employment levels together with increased vacancy rates, particularly in the NY metropolitan area, may result in greater loan delinquencies, increases in our nonperforming, criticized and classified assets and a decline in demand for our products and services. These events may cause us to increase our credit loss reserves, incur credit losses and may adversely affect our financial condition and results of operations. The majority of our loan portfolio is secured by real estate

in the NY metropolitan area. A concentration of loans in our primary market area may increase the risk of higher nonperforming assets. Our success depends primarily on the general economic conditions in Nassau and Suffolk Counties of Long Island, and the boroughs of NYC as nearly all of our loans are to customers in these markets. Accordingly, the local economic conditions in these market areas have a significant impact on the ability of our borrowers to repay loans as well as our ability to originate new loans. A decline in real estate values in these market areas would also lower the value of the collateral securing loans on properties in these market areas. Inflationary pressures and rising prices may affect our results of operations and financial condition. **After peaking in 2022, inflation moderated rose sharply in 2021-2023, and 2024 but remained elevated above the Federal Reserve's 2 % target through throughout 2022-2024, and the rate of inflation began to moderate in 2023.** Inflation may present a significant risk as it can lead to increased costs and reduced purchasing power for consumers. Small to medium- sized businesses may be impacted more during periods of high inflation as they are not able to leverage economies of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly. Furthermore, a prolonged period of inflation could cause wages and other operating costs to increase. These factors could adversely affect our results of operations and financial condition. Competition within our market area could limit our ability to increase interest- earning assets and noninterest income. Competition in the banking and financial services industry is intense. In our market area, we compete with numerous commercial banks, savings institutions, mortgage brokers, credit unions, finance companies, mutual funds, fintech or e-commerce companies, insurance companies and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have substantially greater resources and lending limits than we have and have greater name recognition and market presence that benefit them in attracting business. In addition, large competitors may be able to price loans and deposits more aggressively than we do, and some have recently eliminated certain noninterest income charges such as overdraft fees. Furthermore, fintech developments such as peer- to- peer platforms, blockchain and other distributed ledger technologies have the potential to disrupt the financial services industry and change the way banks do business. Competitive forces may limit our ability to increase our interest- earning assets or maintain the current level of noninterest income. Our profitability depends upon our continued ability to successfully compete in our market area. For additional information see “ Item 1 – Business – Competition. ” Severe weather, acts of terrorism and other external events could impact our ability to conduct business. Weather- related events have adversely impacted our market area, especially areas located near coastal waters and flood prone areas. Such events that may cause significant flooding and other storm- related damage may become more common events in the future. Financial institutions have been, and continue to be, targets of terrorist threats aimed at compromising operating and communication systems and the NY metropolitan area remains central targets for potential acts of terrorism. Such events could cause significant damage, impact the stability of our facilities and result in additional expenses, impair the ability of our borrowers to repay their loans, reduce the value of collateral securing repayment of our loans, and result in the loss of revenue. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition. Additionally, global markets may be adversely affected by natural disasters, the emergence of widespread health emergencies or pandemics, cyber attacks or campaigns, military conflict such as the Russia- Ukraine war and conflicts in the Middle East, supply chain disruptions, terrorism or other geopolitical events. Global market fluctuations may affect our business liquidity. Also, any sudden or prolonged market downturn in the U. S. or abroad, resulting from the above factors or otherwise, could result in a decline in revenue and adversely affect our results of operations and financial condition, including capital and liquidity levels. **Interruption of our customers' supply chains and federal funding could negatively impact their business and operations and impact their ability to repay their loans. Any material interruption in our customers' supply chains, such as a material interruption of the resources required to conduct their business, such as those resulting from interruptions in service by third- party providers, trade restrictions, such as increased tariffs or quotas, embargoes or customs restrictions, reductions in federal subsidies or grants, social or labor unrest, natural disasters, epidemics or pandemics or political disputes and military conflicts, that cause a material disruption in our customers' supply chains, could have a negative impact on their business and ability to repay their borrowings with us. In the event of disruptions in our customers' supply chains, the labor and materials they rely on in the ordinary course of business may not be available at reasonable rates or at all. Additionally, changes in distribution of federal funds or freezing of federal funds, including reductions in federal workforce causing unemployment, could have an adverse effect on the ability of consumers and businesses to pay debts and / or affect the demand for loans and deposits.** Interest Rates and Asset Quality Declines in the value of investment securities, loans and BOLI may result in impairment charges and may adversely affect our financial condition and results of operations. There is always the risk that the Bank will be unable to realize the full carrying value of our investment securities, loans and BOLI. Fluctuations in the market value of investment securities may be caused by changes in market interest rates, lower market prices, rating downgrades and limited investor demand. Management periodically reviews the creditworthiness of all securities in the Bank' s portfolio, other than those issued by the U. S. government or its agencies, and all BOLI carriers. Any significant deterioration in the creditworthiness of an issuer or carrier will be analyzed and action taken if deemed appropriate. If an investment' s value is deemed **to have a credit loss other than temporarily impaired**, the Bank must **record an allowance** write down the fair value of the debt security which may involve a charge to earnings. The credit risk within the Bank' s loan portfolio primarily stems from factors such as changes in the borrower' s financial condition, credit concentrations, changes in collateral values, economic conditions, rent regulation and environmental contamination of properties securing mortgage loans. The Bank' s commercial loans, including those secured by mortgages, are primarily made to small and medium- sized businesses. Such loans sometimes involve a higher degree of risk than those to larger companies because such businesses may have shorter operating histories, higher debt- to- equity ratios and may lack sophistication in internal record keeping and financial and operational controls. In addition, most of the Bank' s loans are made to businesses and consumers on

Long Island and in the boroughs of NYC, and a large percentage of these loans are mortgage loans secured by properties located in those areas. At December 31, 2023-2024, residential mortgage loans, including home equity lines of credit, amounted to approximately \$ 1.2-1 billion and comprised approximately 37-35 % of total loans. The primary source of repayment for residential mortgage loans is cash flows from individual borrowers and co-borrowers. At December 31, 2023-2024, multifamily loans amounted to approximately \$ 857-848.2-6 million and comprised approximately 45-43 % of the Bank's total commercial mortgage portfolio and approximately 26 % of total loans. The primary source of repayment for multifamily loans is cash flows from the underlying properties, which generally involves a greater risk than residential real estate loans because of legislation and government regulations involving rent control, rent stabilization and eviction, which are outside the control of the borrower or the Bank and could impair the value of the collateral for the loans. Cash flows for both residential mortgage and multifamily loans are dependent on the strength of the local economy. Environmental impairment of properties securing mortgage loans is always a risk. However, the Bank is not aware of any existing loans in the portfolio where there is environmental pollution originating on or near the mortgaged properties that would materially affect the value of the portfolio. Changes in interest rates and the shape of the yield curve could negatively impact our earnings. The Bank's financial condition and results of operations are subject to risk resulting from interest rate fluctuations and having assets and liabilities that have different maturity, repricing and prepayment / withdrawal characteristics. The Bank defines interest rate risk as the risk that the Bank's net interest income and / or economic value of equity (" EVE ") will change when interest rates change. In a period of rising interest..... presents significant financial challenges to the Corporation. When interest rates decline, borrowers may refinance higher rate loans to lower rates causing prepayments on mortgage loans and mortgage-backed securities to be elevated. Under those circumstances, the Bank may not be able to reinvest the resulting cash flows in new interest-earning assets with rates as favorable as those that prepaid. In addition, subject to the floors contained in many of the Bank's loan agreements, the Bank's loans at variable interest rates may adjust to lower rates at their reset dates. While lower rates may reduce the Bank's cost of funds on non-maturity deposits, certificates of deposit (" CDs ") and borrowings FHLB advances, the cost savings could be somewhat constrained because decreases in the Bank's funding rates may occur more slowly than decreases in yields earned on the Bank's assets and a significant portion of the Bank's funding is currently derived from noninterest-bearing checking deposits and capital. In addition, in a prolonged low interest rate environment, the Bank's deposit products could reach an effective floor rate close to zero which would not allow for any further reduction in its cost of funds. - In a period of rising interest rates, the interest income earned on the Bank's assets may not increase as rapidly as the interest paid on its liabilities such as deposits and borrowings FHLB advances. The Bank's cost of funds is expected to increase more rapidly than interest earned on its loan and investment portfolios as its primary source of funds is deposits and borrowings FHLB advances with generally shorter maturities or repricing characteristics than the maturities and repricing characteristics of its loans and investments. At December 31, 2023-2024, 21-23.6-9 % of the Bank's loans and securities reprice or mature within one year. This makes the balance sheet more liability sensitive in the short-term. In addition, in a period of rising interest rates, noninterest-bearing deposits may convert to interest-bearing deposits further increasing the Bank's funding costs. The current economic environment, characterized by a high rate of inflation, a pause after a period of rapidly rising interest rates and an inverted yield curve, presents significant financial challenges to the Corporation. Changes in interest rates also affect the value of our interest-earning assets and in particular our securities and loan portfolios. Generally, the value of securities fluctuates inversely with changes in interest rates. At December 31, 2023-2024, our AFS securities portfolio totaled \$ 695-624.9-8 million. Unrealized gains and losses on AFS securities are reported as a separate component of stockholders' equity. Therefore, decreases in the fair value of AFS securities resulting from increases in interest rates could have an adverse effect on stockholders' equity. In addition to the risks arising from changes in interest rates, the shape of the yield curve could create downward pressure on net interest income and net interest margin. In the current flat or inverted yield curve environment, asset growth could negatively impact the Bank's earnings and / or profitability metrics. As a result, the Bank may be unable to increase earnings, or maintain the current level of earnings, until the yield curve steepens. The performance of our multifamily real estate loans could be adversely impacted by regulation. Multifamily real estate loans generally involve a greater risk of non-payment and loss than one- to- four family residential real estate loans. Repayment of the loans often depends on the successful operation of the properties and the sale of such properties securing the loans. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to- four family residential loans. If loans that are collateralized by real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could cause us to increase our provision for credit losses and adversely affect our operating results and financial condition. Additionally, legislation and government regulations involving rent control and rent stabilization which are outside the control of the borrower or the Bank, could impair the value of the collateral for the loan or the future cash flow of such properties. As an example, on June 14, 2019, the New York State legislature passed the New York Housing Stability and Tenant Protection Act of 2019. This legislation represents the most extensive reform of New York State's rent laws in several decades and generally limits a landlord's ability to increase rents on rent regulated apartments and makes it more difficult to convert rent regulated apartments to market rate apartments. As a result, the value of the collateral located in New York State securing the Company's multifamily loans or the future net operating income of such properties could potentially become impaired which, in turn, could have a material adverse effect on our financial condition and results of operations. To date, the Company has not experienced any material negative impacts as a result of this legislation. Management's estimate of the Allowance for Credit Losses (" ACL " or " allowance ") may not be sufficient and could result in increased provisions and adversely impact our financial condition and results of operations. The Bank maintains an ACL in an amount believed to be adequate to absorb current expected lifetime credit losses in its loan portfolio. The maintenance of the ACL is governed by a board committee approved ACL policy. In arriving at the ACL, an individual evaluation is performed on each loan with disparate risk

characteristics or information suggesting that the Bank will be unable to collect all the principal and interest due according to contractual terms. In addition, current expected lifetime credit losses for all other loans in the Bank's portfolio are determined on a pooled basis using the CECL model and taking take into account historical loss experience and numerous quantitative and qualitative factors ("Q-factors"), including current and forecasted economic conditions measured by such things as gross domestic product ("GDP"), unemployment levels, vacancies, changes in the value of underlying collateral, average growth in loan pools, concentrations of credit, changes in lending policies and procedures, experience, ability and depth of lending staff, changes in quality of the loan review function, environmental risks and loan risk ratings. Because estimating the ACL is highly subjective in nature and involves a variety of estimates and assumptions that are inherently uncertain, there is the risk that management's estimate may not accurately capture probable lifetime losses in the loan portfolio. The Bank's allowance may need to be increased based on additional information that comes to light after the estimate is made, changes in circumstances or a recommendation by bank regulators based on their review of the Bank's loan portfolio. The impact of one or more of these factors on the Bank's allowance could result in the need for a significant increase in the Bank's provision for credit losses and have a material adverse impact on the Bank's financial condition and results of operations. Regulatory Matters If our regulators impose limitations on our commercial real estate lending activities, earnings could be adversely affected, and we may face greater risk in our loan portfolio. 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 mortgage lending exposure may receive increased supervisory scrutiny where total non-owner occupied commercial mortgages, including loans secured by apartment buildings, investor commercial mortgages and construction and land loans ("CRE loans"), represent 300% or more of an institution's total risk-based capital and the outstanding balance of the CRE loan portfolio has increased by 50% or more during the preceding 36 months ("CRE growth rate"). The Company-Corporation's CRE loans, equaled 361-371% of total risk-based capital at December 31, 2023-2024 and the Company-Corporation's CRE growth rate during the 36-month period ended December 31, 2023-2024 was 30-8.7-6%. The Company-Corporation did not meet the combined thresholds for increased supervisory scrutiny. However, if our regulators were to impose restrictions on the amount of CRE loans we can hold in our portfolio or require higher capital ratios as a result of the level of CRE loans held, our earnings would be adversely affected. If we are limited in our ability to originate loans secured by commercial real estate, we may incur greater risk in our loan portfolio. For example, we are and may continue to seek to further increase our growth rate in commercial and industrial loans, including both secured and unsecured commercial and industrial loans. Unsecured loans generally involve a higher degree of risk of loss than do secured loans because, without collateral, repayment is wholly dependent upon the success of the borrowers' businesses and personal guarantees. Secured commercial and industrial loans are generally collateralized by accounts receivable, inventory, equipment or other assets owned by the borrower and typically include a personal guaranty of the business owner. Compared to real estate, that type of collateral is more difficult to monitor, its value is harder to ascertain, it may depreciate more rapidly, and it may not be as readily saleable if repossessed. Therefore, we may be exposed to greater risk of loss on these credits. The Bank is subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties. The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose non-discriminatory lending requirements on financial institutions. With respect to the Bank, the FRB, U. S. 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 the Bank's business, financial condition and results of operations. Changes in laws, government regulation and, supervisory guidance and the regulatory policies of the Federal government could have a significant negative impact on our financial condition and results of operations. The Corporation and the Bank are subject to regulation, supervision and examination by, among others, the FRB, OCC and FDIC. The FDIC also insures the Bank's deposits. Regulation and supervision govern the activities in which a bank and its holding company may engage and are intended primarily for the protection of depositors. Regulatory requirements affect virtually all aspects of the Corporation's and the Bank's business, including investment and lending practices, deposit offerings and capital levels. The regulators have extensive discretion in connection with their supervisory and enforcement activities, including imposing restrictions on Bank operations and expansion plans, imposing deposit insurance premiums and other assessments, setting required levels for the ACL, capital and liquidity, and imposing restrictions on the ability to pay cash dividends and other capital distributions to stockholders. Changes in laws, regulations and supervisory guidance, or the Corporation's and the Bank's compliance with these laws and regulations as judged by the regulators, could have a significant negative impact on the Corporation's financial condition and results of operations. Increasing scrutiny Additionally, Congress and evolving expectations from the administration through executive orders control fiscal policy through decisions on taxation and expenditures. Depending on the industries and markets involved, changes to tax law and increased or reduced public expenditures could affect us directly or the business operations of our customers, regulators, investors and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks. Companies are facing increasing scrutiny from customers, regulators, investors and other stakeholders related to their environmental, social and governance ("ESG") practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG-related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or stakeholder expectations could negatively impact our reputation, ability to do business with certain partners and our stock price. New

government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory or voluntary reporting, diligence and disclosure. Business Issues Our stock price may be negatively impacted..... Business- Payment of Dividends." The Bank and Corporation may not have sufficient funds or funding sources to meet liquidity demands. Liquidity risk is the risk that the Bank will not have sufficient funds to accommodate loan growth, meet deposit outflows or make contractual payments on borrowing arrangements. The Bank encounters significant competition for deposits in its market area from larger banks, various community banks, credit unions and other financial services organizations. This competition for deposits, particularly in the recent rapidly rising interest rate environment, could result in significant outflows and further exert upward pressure on the Bank's funding costs. In addition, the Bank's concentration of deposits with certain customers could limit our ability to favorably reprice deposits and grow net interest income, net interest margin and earnings. The Bank has both internal and external sources of liquidity that can be used to fund loan growth and accommodate deposit outflows. The Bank's primary internal sources of liquidity are overnight investments and maturities and monthly payments on its investment securities and loan portfolios. The Bank is a member of the FRB of NY ("FRBNY") and the FHLBNY and has a federal funds line with a commercial bank. In addition to customer deposits, the Bank's primary external sources of liquidity are secured borrowings from the FHLBNY and FRBNY. In addition, the Bank can purchase overnight federal funds under its existing line and the Corporation may raise funds through its Dividend Reinvestment and Stock Purchase Plan ("DRIP"). However, the Bank's FRBNY membership, FHLBNY membership and federal funds line do not represent legal commitments to extend credit to the Bank. The amount that the Bank can potentially borrow is currently dependent on the amount of unencumbered eligible securities and loans that the Bank can use as collateral and the collateral margins required by the lenders. The Bank's borrowing capacity may be adjusted by the FRBNY or the FHLBNY and may take into account factors such as the Bank's tangible common equity ratio, collateral margins required by the lender or other factors. A possible future downgrade of securities and loans pledged as collateral could also impact the amount of available funding. Regulatory or strategic changes affecting the access to and availability of funding from the FHLBNY could adversely impact the Bank's liquidity. The Corporation relies on dividends from the Bank to fund its operating expenses, dividends to shareholders and repurchases of common stock. The OCC restricts the dividends the Bank may pay to the Corporation to its retained net profits for the preceding two calendar years plus current year retained net profits. These restrictions may limit the Corporation's ability to pay dividends or repurchase shares. In addition, the Corporation may not be successful in raising funds from the issuance of its stock under the DRIP or otherwise. Our funding sources may prove insufficient to replace deposits at maturity and support our future growth. A lack of liquidity could adversely affect our financial condition and results of operations and result in regulatory limits being placed on the Corporation. The Bank must maintain sufficient funds to respond to the needs of depositors and borrowers. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We also receive funds from loan repayments, investment maturities and income on other interest-earning assets. While we emphasize the generation of low-cost core deposits as a source of funding, there is strong competition for such deposits in our market area. Additionally, deposit balances can decrease if customers perceive alternative investments as providing a better risk / return tradeoff. Accordingly, as part of our liquidity management, we must use a number of funding sources in addition to deposits and repayments and maturities of loans and investments, including FHLB advances, g borrowings, federal funds purchased and brokered CDs. Adverse operating results or changes in industry conditions could lead to difficulty or an inability to access these additional funding sources. Our financial flexibility will be severely constrained if we are unable to maintain access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Further, if we are required to rely more heavily on more expensive funding sources to support liquidity and future growth, our revenues may not increase proportionately to cover the increased costs. In this case, our operating margins and profitability would be adversely affected. Alternatively, we may need to sell a portion of our securities and / or loan portfolio to raise funds which, depending upon market conditions, could result in us realizing a loss on the sale of such assets. As of December 31, 2023-2024, we had a net unrealized loss of \$ 71-73. 9-2 million on our AFS securities portfolio resulting from the change in the interest rate environment. Investment securities totaled \$ 695-624. 9-8 million, or 16-15 % of total assets, at December 31, 2023-2024. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, pay our expenses, or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations. A lack of liquidity could also attract increased regulatory scrutiny and potential restraints imposed on us by regulators. Depending on the capitalization status and regulatory treatment of depository institutions, including whether an institution is subject to a supervisory PCA directive, certain additional regulatory restrictions and prohibitions may apply, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. amount of uninsured deposits, the amount of accumulated other comprehensive loss, capital levels and interest rate risk management. If we are unable to adequately manage our liquidity, deposits, capital levels and interest rate risk, it may have a material adverse effect on our financial condition and results of operations. There can be no assurance that we will continue to declare cash dividends. The declaration and payment of any dividend is subject to the approval of our Board of Directors and our dividend may be discontinued or reduced at any time. Our ability to pay cash dividends is limited by restrictions or limitations on our ability to obtain sufficient funds through dividends from the Bank. There can be no assurance that the current payout ratio is sustainable or that we will be able to declare cash dividends in the future in any particular amounts, or at all. For additional information, see" Item 1 -- Business -- Payment of Dividends. " In addition, our ability to pay cash dividends is limited by the terms of the Merger Agreement with ConnectOne. For additional information, see" Item 1A – Risk Factors – The Merger Agreement limits the per share cash dividend that the Corporation may pay after June 30, 2025. " A decline in the Corporation's market capitalization could negatively impact the price, trading volume and liquidity of our common stock. The Corporation's common stock is included in the Russell 3000 and Russell 2000 Indexes, which are reconstituted annually. Upon

reconstitution in May 2023-2024, the median market capitalization of the Russell 2000 index was \$ 896-869.6 million, the capitalization of the largest company in the index was \$ 6-7.0-1 billion and the capitalization of the smallest company in the index was \$ 159-150.5-4 million. The Corporation's market capitalization was approximately \$ 299-264 million on December 31, 2023-2024. If the Corporation's market capitalization falls below the minimum necessary to be included in the indexes at any future reconstitution date, the price, trading volume and liquidity of its common stock may be negatively impacted. The Bank-Corporation's internal controls and those of its third-party service providers ("TPSPs") may be ineffective or circumvented, resulting in significant financial loss, adverse action by governmental bodies and damaged reputation. The Corporation relies on its system of internal controls and the internal controls of its TPSPs to ensure that transactions are captured, recorded, processed and reported properly; confidential customer information is safeguarded; and fraud by employees and persons outside the Corporation is detected and prevented. The Corporation's internal controls and / or those of its TPSPs may prove to be ineffective or employees of the Corporation and / or its TPSPs may fail to comply with or override the controls, either of which could result in significant financial loss to the Corporation, adverse action by bank regulatory authorities or the SEC and damage to the Corporation's reputation. The Bank's inability to keep pace with technological advances could negatively impact our business, financial condition and results of operations. The delivery of financial products and services has increasingly become technology driven. The Bank's ability to competitively meet the needs of its customers in a cost-efficient manner is dependent on its ability to keep pace with technological advances and to invest in new technology as it becomes available. The ability to keep pace with technological change is important, and failure to do so could have a material adverse impact on the Corporation's business, financial condition and results of operations. The inability to attract, motivate or retain qualified key personnel could negatively impact our performance. The Corporation's future success depends in part on the continued service of its executive officers and other key members of management and its staff, as well as its ability to continue to attract, motivate and retain highly qualified employees. The loss of services of key personnel and our inability to timely recruit or promote qualified replacements could have an adverse effect on the Bank's business, operating results and financial condition. Their skills, knowledge of the Bank's market and years of industry experience may be difficult to replace. The inability to control the risks associated with social media and other internet postings could adversely impact the Corporation's business and reputation. Customers, shareholders, employees and outsiders could potentially share sensitive or inaccurate information on social media platforms or engage in behavior that may reflect poorly on the company-Corporation and lead to adverse impacts on the Corporation's business. While social media activity may provide benefits like increased brand awareness, even positive social media posts have the potential to create controversy and increase the Corporation's risk profile. Mergers and acquisitions involve numerous risks and uncertainties. The Corporation may in the future pursue mergers and acquisitions opportunities. Mergers and acquisitions involve a number of risks and challenges, including the expenses involved; potential diversion of management's attention from other strategic matters; integration of branches and operations acquired; outflow of customers from the acquired branches; retention of personnel from acquired companies or branches; competing effectively in geographic areas not previously served; managing growth resulting from the transaction; and dilution in the acquirer's book and tangible book value per share. Security System failures, interruptions and security breaches could negatively impact our customers, reputation and results of operations. The Bank outsources most of its data processing to TPSPs. If TPSPs encounter difficulties, or if the Bank has difficulty communicating with them, the Bank's ability to adequately process and account for customer transactions could be affected, and the Bank's business operations could be adversely impacted. Threats to information security also exist in the processing of customer information through TPSPs. The Bank's website and online banking products have been the target of cyberattacks in the past. While the Bank and its TPSPs believe they have successfully blocked attempts to infiltrate the Bank's systems, there is always the possibility that successful attacks have not yet been identified and future attacks may not be blocked. A significant cybersecurity incident may be determined to be material insider information and would prohibit corporate insiders from trading in the Corporation's stock until appropriate public disclosures are made. Opportunistic cyberattacks and malicious financial crimes have been growing globally in number and complexity and increase the cost of technology, compliance and labor. The Bank makes use of logon and user access controls, multifactor and out of band authentication, transaction limits, firewalls, antivirus software, intrusion protection monitoring and vulnerability scans and conducts independent penetration testing and cybersecurity audits. Bank communications encourage employee and executive awareness of cybersecurity trends. These precautions may not protect our systems from all compromises or breaches of security and there can be no assurance that such events will not occur or that they will be adequately addressed if they do. The Bank carries a cyber liability insurance policy to mitigate the risks of financial loss. However, the occurrence of any systems failure, interruption or breach of security could damage the Bank's reputation and result in a loss of customers and business, could subject the Bank to additional regulatory scrutiny or could expose the Bank to civil litigation and possible financial liability beyond any insurance coverage. Any of these occurrences could have a material adverse effect on the Corporation's financial condition and results of operations. Risks associated with cybersecurity could negatively affect our earnings. The financial services industry has experienced an increase in both the number and severity of reported cyberattacks aimed at gaining unauthorized access to bank systems as a way to misappropriate assets and sensitive information, corrupt and destroy data, or cause operational disruptions. We have established policies and procedures to prevent or limit the impact of security breaches, but such events may still occur or may not be adequately addressed if they do occur. Although we rely on security safeguards to secure our data, these safeguards may not fully protect our systems from compromises or breaches. We also rely on the integrity and security of a variety of third-party processors, payment, clearing and settlement systems, as well as the various participants involved in these systems, many of which have no direct relationship with us. Failure by these participants or their systems to protect our customers' transaction data may put us at risk for possible losses due to fraud or operational disruption. Our customers are also the target of cyberattacks and identity theft. Large scale identity theft could result in customers' accounts being compromised and fraudulent activities being performed in their name.

We have implemented certain safeguards against these types of activities, but they may not fully protect us from fraudulent financial losses. The occurrence of a breach of security involving our customers' information, regardless of its origin, could damage our reputation and result in a loss of customers and business and subject us to additional regulatory scrutiny, and could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations. While our Board of Directors takes an oversight role in cybersecurity risk tolerance, we rely to a large degree on management and outside consultants in overseeing cybersecurity risk management. Our Board of Directors takes an oversight role in the cybersecurity risk tolerance of the Corporation and all members receive cybersecurity training annually. The Board approves information technology policies, including those relative to cybersecurity. Furthermore, our Audit Committee is responsible for reviewing all audit findings related to information technology general controls, internal and external vulnerability, and penetration testing. We also engage outside consultants to support our cybersecurity efforts. However, our directors do not have significant experience in cybersecurity risk management outside of the Corporation and therefore, its ability to fulfill its oversight function remains dependent on the input it receives from management and outside consultants.