Risk Factors Comparison 2023-09-26 to 2022-09-23 Form: 10-K

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

Transition from the use of LIBOR may adversely impact the interest rates paid on certain financial instruments. LIBOR was used as a reference rate for certain of the Company' s floating rate commercial loans and residential mortgage loans, as well as its interest rate swaps. In 2017, the U. K. Financial Conduct Authority, which regulates LIBOR, announced that the publication of LIBOR would not be guaranteed beyond 2021. In December 2020, the administrator of LIBOR announced its intention to (i) cease the publication of the one- week and two- month U. S. dollar LIBOR after December 31, 2021, and (ii) cease the publication of all other tenors of U. S. dollar LIBOR (one, three, six and 12 month LIBOR) after June 30, 2023. There are ongoing efforts to establish an alternative reference rate. The Federal Reserve Board, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U. S. financial institutions, supports replacing LIBOR with SOFR, a new index calculated by short- term repurchase agreements backed by Treasury securities. The Company has adopted SOFR as its preferred benchmark as an alternative to LIBOR for use in new contracts beginning on or after January 1, 2022. While the Adjustable Interest Rate (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. Additionally, while SOFR appears to be the preferred replacement rate for LIBOR, it is not possible to predict whether SOFR will ultimately prevail in the market as the definitive replacement for LIBOR. Uncertainty as to the nature of alternative reference rates, and as to potential changes or other reforms **related** to **the transition from** LIBOR, may adversely affect ~~LIBOR rates and~~ the value of LIBOR- based financial arrangements of the Company. **Public health emergencies** ~~The Company has a material exposure to LIBOR- based loans and financial instruments~~ , **like** ~~as such~~ the **COVID- 19 outbreak** ~~implementation of an alternative index or indices for the Company' s financial arrangements may result in the Company incurring expenses in effecting the transition~~ , may ~~result in reduced loan balances if borrowers do not accept the substitute index or indices and may result in disputes or litigation with customers over the appropriateness or comparability of the alternative index to LIBOR, which could have an adverse effect on the Company' s results of operations. Inflation can~~ have an adverse impact on our business and **results** ~~on our customers. Inflation risk is the risk that the value~~ of **operations** ~~assets or income from investments will be worth less in the future as inflation decreases the value of money~~ . The ~~annual inflation rate~~ **COVID- 19 pandemic caused significant economic dislocation** in the United States ~~increased to 9~~ . ~~1 % in June 2022~~ **Certain industries were particularly hard- hit** , **including** the ~~highest rate since November 1981~~ **travel and hospitality industry, the restaurant industry, the retail industry, the healthcare industry, restaurants and food services, and entertainment and recreation** . As a result **of a public health emergency** , **including** the **COVID- 19 pandemic,** ~~Federal Reserve Board has increased the federal funds rate by 300 basis points to date in 2022 and has indicated its intention to continue to increase interest rates in an~~ **and** ~~effort to combat inflation. As inflation increases, the value of our investment securities, particularly those~~ -- **the** ~~with longer maturities~~ **related adverse local and national consequences** , ~~would decrease~~ **and as a result of governmental** , ~~although this effect can~~ **consumer and business responses to any outbreak, we may** be **subject to** ~~less pronounced for floating rate instruments. In addition, inflation increases the cost of goods and services we use in our business operations, such as electricity and other~~ -- **the** ~~utilities~~ **following risks** , **any** ~~which increases our noninterest expenses. Furthermore, our customers are also affected by inflation and the rising costs~~ of ~~goods and services used in their households and businesses,~~ which could have a **material, adverse effect on our business, financial condition, liquidity, or results of operations: 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 loan losses may have to be increased if borrowers experience financial difficulties; cyber security 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 a pandemic may affect our workforce, 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 business strategy. Any one or a combination of the foregoing factors could** ~~negative~~ **negatively** impact **our business, financial condition, results of operations and prospects. Changes in market conditions, changes in discount rates, changes in mortality assumptions or lower returns** on ~~their ability~~ **assets may increase required contributions** to ~~repay their loans~~ **, and costs associated** with **, our tax- qualified defined benefit plan in future periods. The funded status and benefit obligations of our tax- qualified defined benefit plan (" pension plan ") are dependent upon many factors, including returns on invested assets, certain market interest rates, and the discount rates and mortality assumptions used to determine pension obligations. The pension plan liability is calculated based on various actuarial assumptions, including mortality expectations, discount rates and expected long- term rates of return on plan assets. Unfavorable returns on plan assets could materially change the amount of required plan funding, which would reduce the cash available for our operations. In addition, a decrease in the discount rate and / or changes in the mortality assumptions 38used to determine pension obligations could increase the estimated value of our pension obligations, which would require** us **to increase the amounts of future contributions to the plan, thereby reducing our equity and our costs associated with the plan may substantially increase in future periods** . Risks Related to ~~LendingOur~~

LendingWe have a significant number of loans secured by real estate, and a downturn in the local real estate market could negatively impact our profitability. At June 30, 2023, approximately $ 1. 0 billion, or 90. 2 %, of our total loan portfolio was secured by real estate, most of which is located in our primary lending market, the Capital Region of New York and surrounding markets. Declines in real estate values in the Capital Region of New York and surrounding markets as a result of unemployment, inflation, changes in tax laws, a recession or other factors outside our control could significantly impair the value of the collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower' s obligations to us. This could require increasing our allowance for loan losses to address the decrease in the value of the real estate securing our loans, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects. Our loan portfolio consists of a high percentage of loans secured by commercial real estate. These loans carry a greater credit risk than loans secured by one- to four- family properties. Our loan portfolio includes commercial real estate loans, primarily loans secured by **multi- family properties,** office buildings, industrial facilities, retail facilities ~~, multi- family properties~~ and other commercial properties. At June 30, ~~2022~~ **2023** , our commercial real estate loans totaled $ ~~453~~ **424** . ~~5~~ **3** million, or ~~45~~ **36** . ~~3~~ **6** %, of our total loan portfolio. Our commercial real estate loans expose us to greater risk of nonpayment and loss than ~~one- to four- family~~ residential mortgage loans because repayment of the loans often depends on the successful operation and income stream of the **borrower' s business. Continued uncertainty or weakness in economic conditions may impair a borrower' s business operations and lead to existing lease turnover. Vacancy rates for retail, office and industrial space may increase, which could result in rents falling. The combination of these factors could result in deterioration in the fundamentals underlying the commercial real estate market and the deterioration in value of some of our loans. Any such deterioration could adversely affect the ability of our** borrowers **to repay the amounts due under their loans** . If we foreclose on these loans, our holding period for the collateral typically is longer than for a one- to four- family residential property because there are fewer potential purchasers of the collateral. In addition, commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to ~~one- to four- family~~ residential **mortgage** loans. Accordingly, charge- offs on commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. An unexpected adverse development on one or more of these types of loans can expose us to a significantly greater risk of loss compared to an adverse development with respect to a ~~one- to four- family~~ residential mortgage loan. In addition, the physical condition of non- owner occupied properties may be below that of owner- occupied properties due to lax property maintenance standards, which have a negative impact on the value of the collateral properties. As our commercial real estate loans increase, the corresponding risks and potential for losses from these loans may also increase, which would adversely affect our business, financial condition and results of operations. A ~~large~~ portion of our loan portfolio is comprised of commercial and industrial loans secured by accounts receivable, inventory, equipment or other business assets, the deterioration in value of which could increase the potential for future losses. At June 30, ~~2022~~ **2023** , $ ~~103~~ **88** . ~~2~~ **4** million, or ~~10~~ **7** . ~~3~~ **6** % of our total loan portfolio, was comprised of commercial and industrial loans and lines of credit to a variety of small and medium- sized businesses in our market area collateralized by general business assets including, among other things, accounts receivable and inventory, and we may augment this collateral with additional liens on real property. These commercial and industrial loans are typically larger in amount than loans to individuals and, therefore, have the potential for larger losses on a per loan basis. Additionally, the repayment of commercial and industrial loans is subject to the ongoing business operations of the borrower. The collateral securing such loans generally includes moveable property such as inventory, which may decline in value more rapidly than we anticipate, or may be difficult to market and sell, exposing us to increased credit risk. **For loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to 39collect amounts due from its customers.** Significant adverse changes in the economy or local market conditions in which our commercial lending customers operate or individual business activities of our ~~36commercial~~ -- **commercial** customers could cause rapid declines in loan collectability and the values associated with general business assets, resulting in inadequate collateral coverage that may expose us to credit losses and could adversely affect our business, financial condition and results of operations. We make and hold in our portfolio commercial construction loans, which are considered to have greater credit risk than residential loans made by financial institutions. We originate and purchase commercial construction loans primarily to local developers to finance the construction of commercial and multi- family properties or to acquire land for development of commercial and multi- family properties and to finance infrastructure improvements. We also provide commercial construction loans to local developers for the construction of one- to four- family residential developments, and originate rehabilitation loans, enabling the borrower to partially or totally refurbish an existing structure. At June 30, ~~2022~~ **2023** , commercial construction loans were $ ~~71~~ **92** . ~~1~~ **8** million, or ~~7~~ **8** . ~~1~~ **0** % of our total loan portfolio. We also had undrawn amounts on the commercial construction loans totaling $ ~~57~~ **28** . ~~2~~ **9** million at June 30, ~~2022~~ **2023** ~~. Commercial construction loans are considered more risky than residential mortgage loans~~ . The primary credit risks associated with construction lending are underwriting risks, project risks and market risks. Project risks include cost overruns, borrower credit risk, project completion risk, general contractor credit risk, and environmental and other hazard risks. Market risks are risks associated with the sale of the completed project. They include affordability risk, which means the risk of affordability of financing by borrowers, product design risk, and risks posed by competing projects. **Commercial construction** ~~We have a significant number of~~ loans ~~secured by real~~ **are considered more risky than residential mortgage loans because funds are advanced based on an** ~~estate~~ **estimate** ~~, and~~ **of costs that will produce** a ~~downturn~~ **future value at completion. Uncertainties inherent** in **estimating construction costs and** the ~~local real estate~~ market **value** ~~could negatively impact our profitability. At June 30, 2022, approximately $ 876. 2 million, or 87. 5 %,~~ of ~~our~~ **the completed project, as well as the effects of governmental regulation, make it difficult to accurately evaluate the** total **funds required** ~~loan portfolio was secured by real estate, most of which is located in our primary lending market, the Capital Region of New York and surrounding markets.~~

~~Declines in the real estate values in the Capital Region of New York and surrounding markets as a result of a recession could significantly impair the value of the particular collateral securing our loans and our ability~~ to **complete a project** ~~sell the collateral upon foreclosure for an~~ **and** ~~amount necessary to satisfy~~ the ~~borrower~~ **completed project** ’ s ~~obligations~~ **loan-** to **- value ratio. If our estimated value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss. Construction loans may also require active monitoring of the building process, including cost comparisons and on- site inspections, making these loans more difficult and costly to monitor. Properties under construction are often difficult to sell and typically must be completed in order to be successfully sold which can complicate the process of working out problem construction loans. This may require** us ~~. This could require increasing~~ **to advance additional funds and /** ~~our~~ **or** ~~allowance for loan losses~~ **contract with another builder** to ~~address~~ **complete construction and assume** the **market risk** ~~decrease in the value~~ of **selling** the ~~real estate securing our loans~~ **project at a future market price** , which **may or may not enable us to fully recover unpaid loan funds and associated construction and liquidation costs. Furthermore, in the case of speculative construction loans, there is the added risk associated with identifying an end- purchaser for the finished project. Loans on land under development or held for future construction pose additional risks because of the lack of income being produced by the property and the potential illiquid nature of the collateral. These risks can be significantly impacted by supply and demand. As a result, this type of lending often involves the disbursement of substantial funds with repayment dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor themselves to repay principal and interest. A material increase in our non- performing construction loans** could have a material adverse effect on our ~~business,~~ financial condition ~~,~~ **and** results of ~~operations~~ **operation** ~~and growth prospects. Unlike larger financial institutions that are more geographically diversified, our profitability depends primarily on the general economic conditions in our primary market area. Local economic conditions have a significant impact on our residential real estate, commercial real estate, construction, commercial and industrial and consumer lending, including, the ability of borrowers to repay these loans and the value of the collateral securing these loans. Economic conditions in our primary market have recently been adversely affected by the COVID- 19 pandemic and inflationary environment and further deterioration in economic conditions could result in the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations: ● demand for our products and services may decrease; ● loan delinquencies, problem assets and foreclosures may increase; ● collateral for loans, especially real estate, may decline in value, thereby reducing customers’ future borrowing power, and reducing the value of assets and collateral associated with existing loans; ● the value of our securities portfolio may decrease; and ● the net worth and liquidity of loan guarantors may decrease, thereby impairing their ability to honor commitments made to us. 37Moreover, a significant decline in general economic conditions, caused by inflation, acts of terrorism, an outbreak of hostilities or other international or domestic calamities or other factors beyond our control could further impact these local economic conditions and could further negatively affect our financial performance. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance~~ . Our allowance for loan losses may not be sufficient to cover actual loan losses. We maintain an allowance for loan losses, which is established through a provision for loan losses that represents management’ s best estimate of probable incurred losses within ~~the~~ **our** existing portfolio of loans. We make various assumptions and judgments about the collectability of loans in our portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the adequacy of the allowance for loan losses, we rely on our experience and our evaluation of economic conditions. If our assumptions prove to be incorrect, or if certain intervening events occur (like fraud by a customer or the COVID- 19 pandemic), our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, and adjustments may be necessary to address different economic conditions or adverse developments in ~~the~~ **our** loan portfolio. Consequently, a problem with one or more loans could require us to significantly increase our provision for loan losses. In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan ~~losses or recognize additional loan charge- offs. Material additions to the allowance for loan losses would materially decrease our net income and would adversely affect our business, financial condition and results of operations. The FASB has adopted a new accounting standard that will be effective for the Company and the Bank for our fiscal year beginning after July 1, 2023. This standard, referred to as Current Expected Credit Loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan losses. This will change the current method of establishing allowances for loan losses that are probable, which may require us to increase our allowance for loan losses, and increase the data we would need to collect and review to determine the appropriate level of our allowance for loan losses. A portion of our loan portfolio consists of loan participations secured by properties outside our market area. Loan participations may have a higher risk of loss than loans we originate because we are not the lead lender and we have limited control over credit monitoring. We occasionally purchase commercial real estate, commercial and industrial and commercial construction loan participations secured by properties outside our market area in which we are not the lead lender. We have purchased loan participations secured by various types of collateral such as real estate, equipment and other business assets located in New York and Vermont. Loan participations may have a higher risk of loss than loans we originate because we rely on the lead lender to monitor the performance of the loan. Moreover, our decisions regarding the classification of a loan participation and loan loss provisions associated with a loan participation are made in part based upon information provided by the lead lender. A lead lender also may not monitor a participation loan in the same manner as we would for loans that we originate. At June 30, 2022, our loan participations where we are not the lead lender totaled $ 29. 2 million, or 2. 9 % of our loan portfolio. At June 30, 2022, commercial real estate loan participations outside our market area totaled $ 2. 7 million, or 0. 8 % of the commercial real estate~~

~~loan portfolio. At June 30, 2022, there were no commercial and industrial or commercial construction loan participations outside our market area. At June 30, 2022, one loan participation with a balance of $ 24, 000 was delinquent 60 days or more. If our underwriting of these participation loans is not sufficient, our non- performing loans may increase and our earnings may decrease. We may, in the future, participate in structured financing transactions involving businesses inside and outside our market area that require alternative financing arrangements. While these types of arrangements may generate more income than our traditional commercial loans that we originate and hold in portfolio, they generally have greater credit risk because they involve lending to borrowers with higher risk profiles, the issuance of more complex financial instruments and the valuation of more complex underlying collateral. 38We are subject to environmental liability risk associated with lending activities. A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property' s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us. Risks Related to Legal, Regulatory, Fraud and Compliance MattersWe are subject to fraud and compliance risk. We are susceptible to fraudulent activity 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 have experienced fraudulent activities that are adversely impacting our current financial performance and results of operations. See Item 7 – " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Mann Entities Related Fraudulent Activity, " for details. We expect these activities to continue to negatively impact our financial performance and results of operations. We are involved in numerous legal and other proceedings due to, among other reasons the fraud. See Item 3 – " Legal Proceedings, " for details. See " We are subject to sanctions and other negative actions if regulatory agencies with supervisory authority over us determine that we failed to comply with applicable laws and regulations, " below. We are also 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. There can be no assurance that such incidents or losses will not occur again or that such acts will be detected in a timely manner. We maintain a system of internal controls and other measures to mitigate against such risks, including data processing system failures and errors, and customer fraud. If we fail to prevent or detect any such occurrence, or if any resulting loss is not insured, exceeds applicable insurance limits or if the insurance companies dispute or deny coverage, it could have a material adverse effect on our business, financial condition and results of operations. With respect to the fraud described in Item 7 – " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Mann Entities Related Fraudulent Activity, " and the proceedings described in Item 3 – " Legal Proceedings, " our insurance carriers have (a) denied coverage with respect to some of the claims, (b) accepted coverage, subject to certain conditions, with respect to some of the claims, and (c) sought additional information from the Company in order to further evaluate coverage. It is possible that our insurance may not cover any claims or costs related to the proceedings described in these two sections. While we have recognized insurance recoveries related to the partial reimbursement of defense costs incurred related to certain of these proceedings, we cannot give any assurance regarding the additional recovery, if any, we may obtain from our insurance carriers. The Company is a defendant in a variety of litigation and other actions, which may have a material adverse effect on the Company' s financial condition and results of operations. The Company and the Bank are involved in a variety of litigation and other proceedings. See Item 3 – " Legal Proceedings, " and Item 7 – " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Mann Entities Related Fraudulent Activity, " for details. We are prosecuting and defending these lawsuits and other 39proceedings vigorously, and management believes that the Bank has substantial defenses to the claims that have been asserted. The ultimate outcome of any such proceedings, cannot be predicted with any certainty. It also remains possible that other private parties or governmental authorities will pursue additional claims against the Bank as a result of the Bank' s dealings with certain of the Mann Entities or as a result of the actions taken by the Pioneer Parties. The Company' s and the Bank' s legal fees, costs and expenses related to these actions are significant and are expected to continue being significant. In addition, costs associated with potentially prosecuting, litigating or settling any litigation, satisfying any adverse judgments, if any, or other proceedings, could be significant. These future costs, settlements, judgments, sanctions or other expenses could have a material adverse effect on the Company' s financial condition, results of operations or cash flows. In addition, it is inherently difficult to assess the outcome of these matters, and we may not prevail in such proceedings or litigation. Any such legal or regulatory actions will subject us to substantial compensatory or punitive damages, significant fines, sanctions, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. Our involvement in any such matters, whether tangential or otherwise, and even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. In view of the inherent difficulty of predicting the outcome of such matters, we cannot predict the eventual outcome of the pending matters, timing of the ultimate resolution of these matters, or eventual loss, fines or penalties related to each pending matter. We establish an accrued liability when those matters present loss contingencies that are both~~

~~probable and estimable. These estimates are based upon currently available information and are subject to significant judgment, a variety of assumptions and known and unknown uncertainties. See Item 3 – " Legal Proceedings, " for details. As a result, the ultimate outcome of our legal or regulatory actions could have a material adverse effect on the Company' s financial condition and results of operations. We are subject to sanctions and other negative actions if regulatory agencies with supervisory authority over us determine that we failed to comply with applicable laws and regulations. As described in the section captioned " Supervision and Regulation " included in Part I above, we are subject to extensive regulation, supervision and examination by our banking regulators, the FDIC, the NYSDFS and the Federal Reserve Board. Such regulation and supervision govern the activities in which a financial institution and its holding company may engage and are intended primarily for the protection of the insurance fund and the depositors and borrowers of the Bank rather than for the protection of our stockholders. In addition, we are involved in a number of legal, regulatory, governmental and other proceedings, claims or investigations. See Item 3 – " Legal Proceedings, " for details. The various regulatory agencies with supervisory authority over us have significant latitude in addressing our compliance with applicable laws and regulations including, but not limited to, those governing consumer compliance, credit, fair lending, anti- money laundering, anti- terrorism, capital adequacy, asset quality, interest rate risk, management, 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, restrictions and limitations on our operations, and other possible sanctions 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. For example, if it is determined that we have failed to operate according to the regulations, policies and directives of the NYSDFS, we would be subject to sanctions for non- compliance, including seizure of the property and business of the savings bank and suspension or revocation of our charter. In addition, the NYSDFS or the FDIC may, under certain circumstances, suspend or remove officers or directors who have violated the law, conducted our business in an unsafe or unsound manner, or contrary to the depositors' interests, or have been negligent in the performance of their duties. In addition, if it is determined that we have engaged in an unfair or deceptive act or practice, the NYSDFS or FDIC may issue an order to cease and desist and impose a fine us. The NYSDFS also has the authority to appoint a receiver or conservator if it determines that we have or are conducting our business in an unsafe or unauthorized manner, and under certain other circumstances. New York consumer protection and civil rights statutes applicable to the Bank permit private individual and class action lawsuits, and provide for the rescission of consumer transactions, including loans, and the recovery of statutory and punitive damages and attorney' s fees in the case of certain violations of those statutes. It is possible that the NYSDFS or the FDIC may take one or more of these sanctions if they determine that we have failed to comply with applicable laws or regulations. 40As described in this filing, we have experienced fraudulent activities that are adversely impacting our current financial performance and results of operations. As a result, we are involved in numerous legal and other proceedings due to, among other reasons the fraud. 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 actions against us, could have a material adverse effect on our business, financial condition or results of operations, increase our costs or restrict our ability to expand our business and result in damage to our reputation. Non- compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations will subject us to fines or sanctions. The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. Once such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Treasury' s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers that open new financial accounts. Failure to comply with these regulations could result in fines or sanctions. Failure to adequately develop, design and maintain our Bank Secrecy Act programs could lead to sanctions and other negative actions, restrictions on conducting acquisitions or establishing new branches and other regulatory actions which would have serious reputational consequences for us, and which would have a material adverse effect on our business, financial condition or results of operations. The level of our commercial real estate loan portfolio subjects us to additional regulatory scrutiny. The FDIC and the other federal bank regulatory agencies have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under the guidance, a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors, (i) total reported loans for construction, land acquisition and development, and other land represent 100 % or more of total capital, or (ii) total reported loans secured by multi- family and non- owner occupied, non- farm, non- residential properties, loans for construction, land acquisition and development and other land, and loans otherwise sensitive to the general commercial real estate market, including loans to commercial real estate related entities, represent 300 % or more of total capital. Based on these factors, we have a concentration in loans of the type described in (ii) above of 155. 7 % of our total capital at June 30, 2022. The purpose of the guidance is to assist banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. Our bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us or that may result in a curtailment of our commercial real estate and multi- family lending and / or the requirement that we maintain higher levels of regulatory capital, either of which would adversely affect our loan originations and profitability. Risks Relating to COVID- 19 PandemicThe economic impact of the COVID- 19 pandemic could continue to~~

~~affect our financial condition and results of operations. The COVID- 19 pandemic caused significant economic dislocation in the United States and internationally, resulting in a slow- down in economic activity, increased unemployment levels, and disruptions in global supply chains and financial markets. The pandemic and related government actions to curb its spread also resulted in closures of many organizations and the institution of social distancing requirements in many states and communities. Certain industries have been particularly hard- hit, including the travel and hospitality industry, the restaurant industry and the retail industry. In response to the pandemic, various state governments and federal agencies required lenders to provide forbearance and other relief to borrowers (e. g., waiving late payment and other fees). Federal banking agencies encouraged financial institutions to prudently work with affected borrowers and legislation provided relief from 41reporting troubled debt restructurings due to modifications related to the COVID- 19 outbreak. The spread of the coronavirus also caused us to modify our business practices, including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences. Given the ongoing dynamic nature of the pandemic, it is difficult to predict the full impact of the COVID- 19 outbreak on our business. As the result of the COVID- 19 pandemic and the related adverse local and national economic consequences, we could be subject to a number of risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, results of operations or prospects. These risks include, but are not limited to, changes in demand for our products and services; increased loan losses or other impairments in our loan portfolios and increases in our allowance for loan losses; a decline in collateral for our loans, especially real estate; unanticipated unavailability of employees; increased cyber security risks as employees work remotely; a triggering event leading to impairment testing on our goodwill or core deposit and customer relationships intangibles, which could result in an impairment charge; and increased costs as we and our regulators, customers and vendors adapt to evolving pandemic conditions. Risks Related to Accounting MattersChanges in management' s estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results. In preparing periodic reports we are required to file under the Securities Exchange Act of 1934, including our consolidated financial statements, our management is and will be required under applicable rules and regulations to make estimates and assumptions as of specified dates. These estimates and assumptions are based on management' s best estimates and experience at such times and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management includes the items discussed in the proceedings described in Item 3 – " Legal Proceedings, " Item 7 – " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Mann Entities Related Fraudulent Activity, " and the items described in our " Critical Accounting Policies and Estimates, " our evaluation of the legal remedies available to the Bank related to the potentially fraudulent activities, our evaluation of the adequacy of our allowance for loan losses, the determination of our deferred income taxes, our fair value measurements, our determination of other- than- temporary impairment of investment securities, impairment of goodwill, our evaluation of contingent liabilities, and our evaluation of our defined benefit pension plan obligations. Our estimates of potential losses will change over time and the actual losses may vary significantly, and there may be an exposure to loss in excess of any amounts accrued. As a matter develops, we, in conjunction with any outside counsel handling the matter, evaluate on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. Once the loss contingency is deemed to be both probable and estimable, we establish an accrued liability and record a corresponding amount of expense. We continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. However, in light of the significant judgment, variety of assumptions and uncertainties involved in these matters, some of which are beyond our control, and the large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could have an adverse material impact on our business, prospects, results of operations for any particular reporting period, or cause significant reputational harm. Changes in accounting standards could affect reported earnings. The bodies responsible for establishing accounting standards, including the FASB, the SEC and bank regulators, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively. 42The restatement of certain of our historical consolidated financial statements may have an adverse effect on us. As disclosed in Amendment No. 2 to the Annual Report on Form 10- K for the fiscal year ended June 30, 2020 filed with the SEC on February 22, 2021, the Company restated certain of its audited consolidated financial statements (the " Restatement "). Management has assessed the effect of the Restatement on the Company' s internal control over financial reporting and its disclosure controls and procedures, all as described in Part II, Item 9A, " Controls and Procedures " of the Annual Report on Form 10- K for the fiscal year ended June 30, 2021. As of the date of the filing of the Annual Report on Form 10- K for the fiscal year ended June 30, 2021, we had completed our remediation plan for the material weakness we identified in relation to the Restatement of our financial statements. While management believes that the remedial efforts have resolved the identified material weakness, there is no assurance that such remedial efforts will ultimately have the intended effects or that additional remedial actions will not be necessary. If we identify any new material weakness in the future, any such newly identified material weakness could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding accurate and timely filing of periodic reports and with applicable NASDAQ listing requirements, investors may lose confidence in our financial reporting, and our stock price may decline as a result. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses. Additionally, as a result of the material weakness we have identified in our internal controls over financial reporting for the Restatement, as well as other matters raised or that may in the future be raised by the SEC, we may in the future be exposed to litigation or other disputes concerning, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the Restatement and~~

~~the material weakness in our internal control over financial reporting and the preparation of our financial statements. Any such litigation or dispute, regardless of its outcome, could have a material adverse effect on our business, operations, financial condition, results of operations and share price. As a result of the Restatement, we may become subject to a number of significant risks, which could have an adverse effect on our business, financial condition and results of operations, including: we may be subject to potential civil litigation, including shareholder class action lawsuits and derivative claims made on behalf of us, and regulatory proceedings or actions, the defense of which may require us to devote significant management attention and to incur significant legal expense and which litigation, proceedings or actions, if decided against us, could require us to pay substantial judgments, settlements or other penalties. The cost of additional finance and accounting systems, procedures and controls in order to satisfy our public company reporting requirements will increase our expenses. As a result of the completion of our initial public offering, we became a public reporting company. The obligations of being a public company, including the substantial public reporting obligations, require significant expenditures and place additional demands on our management team. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a stand- alone public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. Section 404 -~~ **40** ~~of the Sarbanes- Oxley Act of 2002 (the " Sarbanes Oxley Act ") requires annual management assessments of the effectiveness of our internal control over financial reporting. As a result of our decision to restate our audited consolidated financial statements for fiscal years 2020 and 2019, a material weakness in our internal control over financial reporting was identified and subsequently remediated. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. In addition, we may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge, and we may not be able to do so in a timely fashion. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management' s attention from our operations. 43Risks Related to LiquidityMunicipal deposits are price sensitive and could result in an increase in interest expense or funding fluctuations. Municipal deposits are a significant source of funds for our lending and investment activities. At June 30, 2022, $ 456. 2 million, or 27. 1 % of our total deposits, consisted of municipal deposits from local government entities such as towns, cities, school districts and other municipalities, which are collateralized by letters of credit from the Federal Home Loan Bank of New York and investment securities. Given our dependence on high- average balance municipal funds deposits as a source of funds, our inability to retain such funds could significantly and adversely affect our liquidity. Further, our municipal deposits are primarily demand deposit accounts and are therefore more sensitive to interest rate risk. If we are forced to pay higher rates on our municipal accounts to retain those funds, or if we are unable to retain such funds and we are forced to resort to other sources of funds for our lending and investment activities, such as borrowings from the Federal Home Loan Bank of New York, the interest expense associated with these other funding sources may be higher than the rates we are currently paying on our municipal deposits, which would adversely affect our net income. Risks Related to Our Insurance and Wealth Management BusinessesConditions in insurance markets could adversely affect our earnings. As we have diversified our sources of income, we have become increasingly reliant on non- interest income, particularly insurance fees and commissions. Revenue from these sources could be negatively affected by fluctuating premiums in the insurance markets or other factors beyond our control. Other factors that affect our insurance revenue are the profitability and growth of our clients, continued development of new products and services, as well as our access to new markets. Our insurance revenues and profitability may also be adversely affected by regulatory developments impacting healthcare and insurance markets, possibly including recent legislative proposals and discussions relating to national health insurance and the elimination of the private health insurance market. Involvement in wealth management creates risks associated with the industry. Our wealth management operations with Pioneer Financial Services, Inc. present special risks not borne by institutions that focus exclusively on other traditional retail and commercial banking products. For example, the investment advisory industry is subject to fluctuations in the stock market that may have a significant adverse effect on transaction fees, client activity and client investment portfolio gains and losses. Also, additional or modified regulations may adversely affect our wealth management operations. In addition, our wealth management operations, are dependent on a small number of established financial advisors, whose departure could result in the loss of a significant number of client accounts. A significant decline in fees and commissions or trading losses suffered in the investment portfolio could adversely affect our income and potentially require the contribution of additional capital to support our operations. Risks Related to Our Securities PortfolioChanges in the valuation of our securities portfolio may reduce our profits and our capital levels. Our securities portfolio may be affected by fluctuations in market value, potentially reducing accumulated other comprehensive income or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. Management evaluates securities for other- than- temporary impairment on a quarterly basis, with more frequent evaluation for selected issues. In analyzing a debt issuer' s financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, industry analysts' reports and spread differentials between the effective rates on instruments in the portfolio compared to risk- free rates. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, we may take a charge to earnings to reflect such impairment. Changes in interest rates may also have an adverse effect on our financial condition, as our available- for- sale securities are reported at their estimated fair value, and therefore are affected by fluctuations in interest rates. We increase or decrease our stockholders' equity by the amount of change in the estimated fair value of the available- for- sale securities, net of taxes. Declines in market value may result in other- than- temporary impairments of these assets, which may lead to 44accounting charges that could have a material adverse effect on our net income and stockholders' equity. We also increase or decrease our stockholders' equity by the amount of change in the fair value of equity securities through net income in the consolidated statement of operations. Risks Related to Competition and~~

~~Market ConditionsStrong competition within our market area may reduce our profits and slow growth. We face strong competition in making loans and attracting deposits. Price competition for loans and deposits sometimes requires us to charge lower interest rates on our loans and pay higher interest rates on our deposits, and may reduce our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. Many of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. Our competitors often aggressively price loan and deposit products when they enter into new lines of business or new market areas. If we are unable to effectively compete in our market area, our profitability would be negatively affected. The greater resources and broader offering of deposit and loan products of some of our competitors may also limit our ability to increase our interest- earning assets. Changes in market conditions, changes in discount rates, changes in mortality assumptions or lower returns on assets may increase required contributions to, and costs associated with, our tax- qualified defined benefit plan in future periods. The funded status and benefit obligations of our tax- qualified defined benefit plan (" pension plan ") is dependent upon many factors, including returns on invested assets, certain market interest rates, the discount rates and mortality assumptions used to determine pension obligations. The pension plan liability is calculated based on various actuarial assumptions, including mortality expectations, discount rates and expected long- term rates of return on plan assets. Unfavorable returns on plan assets could materially change the amount of required plan funding, which would reduce the cash available for our operations. In addition, a decrease in the discount rate and / or changes in the mortality assumptions used to determine pension obligations could increase the estimated value of our pension obligations, which would require us to increase the amounts of future contributions to the plan, thereby reducing our equity and our costs associated with the plan may substantially increase in future periods. Risks Related to OperationsWe use a third party to originate one- to four- family residential mortgage loans. We have used a third- party mortgage banking company, Homestead Funding Corp., to underwrite, process and close our residential mortgage loans since January 2016. We use this company in order to offer our customers this loan product without the expense of maintaining and operating an in- house residential mortgage loan department. At June 30, 2022, one- to four- family residential real estate loans acquired from Homestead Funding Corp. totaled $ 198. 4 million, or 19. 8 %, of our total loans receivable. Should we discontinue this relationship or otherwise be unable to use this company in the future, our ability to purchase residential mortgage loans may be disrupted unless we are able to find a suitable replacement or have or re- develop the capability to originate residential mortgage loans through our lending staff. Should we add more staff in such an event, our compensation expense would increase. Our income may be negatively affected if our residential mortgage lending program is disrupted. Our business strategy involves moderate growth, and our financial condition and results of operations may be adversely affected if we fail to grow or fail to manage our growth effectively. Our assets increased $ 680. 1 million, or 53. 0 %, from $ 1. 3 billion at June 30, 2018 to $ 2. 0 billion at June 30, 2022, due to increases in securities available for sale and cash and cash equivalents. Over the next several years, we expect to experience moderate growth in our total assets and deposits, and the scale of our operations. Achieving our growth targets requires us to attract customers that currently bank at other financial institutions in our market. Our ability to grow successfully will depend on a variety of factors, including our ability to attract and retain experienced bankers, the availability of attractive business opportunities, competition from other financial institutions in our market area and our 45ability to manage our growth. While we believe we have the management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth. If we do not manage our growth effectively, we may not be able to achieve our business plan, which would have an adverse effect on our financial condition and results of operations. We continually encounter technological changes and the failure to understand and adapt to these changes could hurt our business. The financial services industry is continually undergoing rapid technological changes with frequent introductions of new technology- driven products and services which increase efficiency and enable financial institutions to serve customers better and to reduce costs. Technology has lowered barriers to entry and made it possible for" non- banks" to offer traditional bank products and services using innovative technological platforms such as Fintech and Blockchain. These" digital banks" may be able to achieve economies of scale and offer better pricing for banking products and services than the Company can. The Company' s future success depends, in part, upon its ability to leverage technology to increase our operational efficiency as well as address the current and evolving needs of our customers. However, our competitors may have greater resources to invest in technological improvements, we may not always have capital levels which are sufficient to support a robust investment in our technology infrastructure or 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. We may experience operational challenges as we implement these new technology enhancements or products, which could impair our ability to realize the anticipated benefits from such new technology or require us to incur significant costs to remedy any such challenges in a timely manner. Third parties upon which we rely for our technology needs may not be able to develop on a cost effective basis systems that will enable us to keep pace with such developments. As a result, our competitors may be able to offer additional or superior products compared to those that we will be able to provide, which would put us at a competitive disadvantage. We may lose customers seeking new technology- driven products and services to the extent we are unable to provide such products and services. Failure to successfully keep pace with technological changes affecting the financial services industry could have a material adverse effect on the Company' s business and, in turn, the Company' s financial condition and results of operations. We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or restrict us from paying dividends or repurchasing shares. Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk- based capital and leverage ratios, and define what constitutes " capital " for calculating these ratios. The minimum capital requirements are: (1) a common equity Tier 1 capital ratio of 4. 5 %; (2) a Tier 1 to risk- based assets capital ratio of 6 %; (3) a total capital ratio of 8 %; and (4) a Tier 1 leverage ratio of 4 %. The regulations also require unrealized gains and losses on certain " available- for- sale " securities holdings to be included for calculating regulatory~~

~~capital requirements unless a one- time opt- out is exercised. We elected to exercise our one- time option to opt- out of the requirement under the final rule to include certain “ available- for- sale ” securities holdings for calculating our regulatory capital requirements. The regulations also establish a “ capital conservation buffer ” of 2. 5 %, resulting in the following minimum ratios: (1) a common equity Tier 1 capital ratio of 7. 0 %, (2) a Tier 1 to risk- based assets capital ratio of 8. 5 %, and (3) a total capital ratio of 10. 5 %. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions. As of June 30, 2022, we have not elected the community bank leverage ratio framework and accordingly the Basel III capital requirements remain applicable. The application of more stringent Basel III capital requirements could, among other things, result in lower returns on equity, require the raising of additional capital, and result in regulatory actions if we were to be unable to comply with such requirements. Implementation of changes to asset risk weightings for risk- based capital calculations, items included or deducted in calculating Basel III regulatory capital and / or additional Basel III capital conservation buffers could result in management modifying its business strategy, and could limit our ability to pay dividends or repurchase our shares. 46Our success depends on attracting and retaining certain key personnel. Our performance largely depends on the talents and efforts of highly skilled individuals who comprise our senior management team. We rely on key personnel to manage and operate our business, including major revenue generating functions such as loan and deposit generation, wealth management and insurance businesses. The loss of key staff may adversely affect our ability to maintain and manage these functions effectively, which could negatively affect our income. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which would reduce our net income. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees. Systems failures or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities. Our operations depend upon our ability to protect our computer systems and network infrastructure against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break- ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third- party service providers, intend to continue to implement security technology and establish operational procedures designed to prevent such damage, our security measures may not be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third- party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations. We face potential heightened cybersecurity risks during the COVID- 19 pandemic as people continue to work from home, including our customers, our employees and the employees of our vendors. While we have implemented appropriate safeguards to protect our employees from potential cybersecurity threats while they work from home, these security measures may not be successful. Threats to the security of our networks and data, as described above, continue to increase as the frequency, intensity and sophistication of attempted attacks and intrusions increase around the world. In response to these threats there has been heightened regulatory focus on data privacy and cybersecurity from our federal and state banking regulators and as a result, we must comply with an evolving set of legal requirements in this area, including substantive cybersecurity standards as well as requirements for notifying regulators and affected individuals in the event of a data security incident. This regulatory environment is increasingly challenging and may present material obligations and risks to our business, including significantly expanded compliance burdens, costs and enforcement risks. It is possible that we could incur significant costs associated with a breach of our computer systems. While we have cyber liability insurance, there are limitations on coverage. Furthermore, cyber incidents carry a greater risk of injury to our reputation. Finally, depending on the type of incident, banking regulators can impose restrictions on our business and consumer laws may require reimbursement of customer losses. Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses. Our risk management framework is designed to minimize risk and loss to us. We try to identify, measure, monitor, report and control our exposure to risk, including strategic, market, liquidity, compliance and operational risks. Operational risk is the risk of loss resulting from the Company' s operations, including but not limited to, the risk of fraud by employees or persons outside of the Company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions 47or their implementation, and customer attrition due to potential negative publicity. While we use broad and diversified risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Recent economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased our level of risk. Accordingly, we could suffer losses if we fail to properly anticipate and manage these risks. We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance. We are a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by~~

~~recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected as a result of certain actions we take, by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results may be materially adversely affected. Risks Relating to Ownership of Our Common StockPioneer Bancorp, MHC' s majority control of our common stock will enable it to exercise voting control over most matters put to a vote of stockholders and will prevent stockholders from forcing a sale or a second- step conversion transaction you may find advantageous. Pioneer Bancorp, MHC owns a majority of the Company' s common stock and, through its board of trustees, will be able to exercise voting control over most matters put to a vote of stockholders. Most of the directors and officers who manage the Company and the Bank also manage Pioneer Bancorp, MHC. As a New York- chartered mutual holding company, the board of trustees of Pioneer Bancorp, MHC must ensure that the interests of depositors of the Bank are represented and considered in matters put to a vote of stockholders of the Company. Therefore, the votes cast by Pioneer Bancorp, MHC may not be in your personal best interests as a stockholder. For example, Pioneer Bancorp, MHC may exercise its voting control to defeat a stockholder nominee for election to the board of directors of the Company and will be able to elect all of the directors of the Company. Some stockholders may desire a sale or merger transaction, since stockholders typically receive a premium for their shares, or a second- step conversion transaction, since, on a fully converted basis most fully stock institutions tend to trade at higher multiples of book value than mutual holding companies. However, stockholders will not be able to force a merger or a second- step conversion transaction without the consent of Pioneer Bancorp, MHC since such transactions also require, under New York and federal law, the approval of a majority of all of the outstanding voting stock, which can only be achieved if Pioneer Bancorp, MHC votes to approve such transactions. Our common stock is not heavily traded, and the stock price may fluctuate significantly. Our common stock is traded on the NASDAQ under the symbol " PBFS. " Certain brokers currently make a market in the common stock, but such transactions are infrequent and the volume of shares traded is relatively small. Management cannot predict whether these or other brokers will continue to make a market in our common stock. Prices on stock that is not heavily traded, such as our common stock, can be more volatile than heavily traded stock. Factors such as our financial results, the introduction of new products and services by us or our competitors, publicity regarding the banking industry, and various other factors affecting the banking industry may have a significant impact on the market price of the shares of the common stock. Management also cannot predict the extent to which an active public market for our common stock will develop or be sustained in the future. Accordingly, stockholders may not be able to sell their shares of our common stock at the volumes, prices, or times that they desire. 48Federal Reserve Board regulations and policy effectively prohibit Pioneer Bancorp, MHC from waiving the receipt of dividends, which will likely preclude us from paying any dividends on our common stock. The Company' s board of directors will have the authority to declare dividends on our common stock subject to statutory and regulatory requirements. We currently intend to retain all our future earnings, if any, for use in our business and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any future determination to pay cash dividends will be made by our board of directors and will depend upon our financial condition, results of operations, capital requirements, restrictions under Federal Reserve Board regulations and policy, our business strategy and other factors that our board of directors deems relevant. Under current Federal Reserve Board regulations and policy, if the Company pays dividends to its public stockholders, it also would be required to pay dividends to Pioneer Bancorp, MHC, unless Pioneer Bancorp, MHC waives the receipt of such dividends. Federal Reserve Board policy has been to prohibit mutual holding companies that are regulated as bank holding companies, such as Pioneer Bancorp, MHC, from waiving the receipt of dividends and the Federal Reserve Board' s regulations implemented after the enactment of the Dodd- Frank Act effectively prohibit federally- chartered mutual holding companies from waiving dividends declared by their subsidiaries. Therefore, unless Federal Reserve Board regulations or policy change to allow Pioneer Bancorp, MHC to waive the receipt of dividends declared by the Company without diluting minority stockholders, it is unlikely that the Company will pay any dividends. Various factors may make takeover attempts more difficult to achieve. Stock banks and savings banks or holding companies, as well as individuals, may not acquire control of a mutual holding company, such as the Company. As result, the only persons that may acquire control of a mutual holding company are other mutual savings institutions or mutual holding companies. Accordingly, it is very unlikely, that the Company would be subject to any takeover attempt by activist stockholders or other financial institutions. In addition, certain provisions of our articles of incorporation and bylaws and state and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of the Company without our board of directors' prior approval. Under federal law, subject to certain exemptions, a person, entity or group must notify the Federal Reserve Board before acquiring control of a bank holding company. Acquisition of 10 % or more of any class of voting stock of a bank holding company creates a rebuttable presumption that the acquirer " controls " the bank holding company. Also, a bank holding company must obtain the prior approval of the Federal Reserve Board and the NYSDFS before, among other things, acquiring direct or indirect ownership or control of more than 5 % of any class of voting shares of any bank, including the Bank. There also are provisions in our articles of incorporation that may be used to delay or block a takeover attempt, including a provision that generally prohibits any person, other than Pioneer Bancorp, MHC, from voting more than 10 % of the shares of common stock outstanding. Taken as a whole, these statutory provisions and provisions in our articles of incorporation could result in our being less attractive to a potential acquirer and thus could adversely affect the market price of our common stock. We are an emerging growth company, and if we elect to comply only with the reduced reporting and disclosure requirements applicable to emerging growth companies, our common stock may be less attractive to investors. We are an emerging growth company. For as long as we continue to be an emerging growth company, we currently intend to take advantage of exemptions from various reporting requirements applicable to other public companies but not to " emerging growth companies, " including, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non- binding~~

~~advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Investors may find our common stock less attractive if we choose to rely on these exemptions. As an emerging growth company, we are not subject to Section 404 (b) of the Sarbanes- Oxley Act, which would require that our independent auditors review and attest to the effectiveness of our internal control over financial reporting. 49We are eligible to remain an emerging growth company for up to five years following the completion of our initial public offering. We will cease to be an emerging growth company upon the earliest of: (1) the end of the fiscal year following the fifth anniversary of this offering; (2) the first fiscal year after our annual gross revenues are $ 1. 07 billion or more; (3) the date on which we have, during the previous three- year period, issued more than $ 1. 0 billion in non- convertible debt securities; or (4) the end of any fiscal year in which the market value of our common stock held by non- affiliates exceeded $ 700 million at the end of the second quarter of that fiscal year. Our contribution to the charitable foundation may not be tax deductible, which could reduce our profits. We may not have sufficient profits to be able to fully use the tax deduction from our contribution to the charitable foundation. Under the Internal Revenue Code, an entity is permitted to deduct up to 10 % of its taxable income (generally income before federal income taxes and charitable contributions expense) in any one year for charitable contributions. Any contribution in excess of the 10 % limit may be deducted for federal income tax purposes over each of the five years following the year in which the charitable contribution is made. Accordingly, a charitable contribution could, if necessary, be deducted over a six- year period and expires thereafter. ITEM 1B. Unresolved Staff CommentsNot applicable to a " smaller reporting company " as defined in Item 10 (f) (1) of Regulation S- K. 50~~