

Risk Factors Comparison 2025-02-28 to 2024-02-29 Form: 10-K

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The Company's success depends on management's ability to identify and manage the risks inherent in its financial services business. These risks include credit risk, market risk, liquidity risk, operational risk, regulatory, compliance and legal risk, and strategic risk. We list below the material risks we face. Any of these risks could result in a material adverse impact on the Company's business, operating results, financial condition, liquidity, and cash flow, or may cause the Company's results to vary materially from recent results, or from the results implied by any forward-looking statements made by the Company. Credit Risk The Company is subject to increased business risk because the Company has a significant concentration of commercial real estate and commercial business loans, repayment of which is often dependent on the cash flows of the borrower. The Company offers different types of commercial loans to a variety of businesses, and we believe commercial loans will continue to comprise a significant concentration of our loan portfolio in 2024-2025 and beyond. Real estate lending is generally considered to be collateral-based lending with loan amounts based on predetermined loan-to-collateral values. As such, declines in real estate valuations in the Company's market area would lower the value of the collateral securing these loans. Additionally, the Company has experienced, and expects to continue experiencing, increased competition in commercial real estate lending. This increased competition may inhibit the Company's ability to generate additional commercial real estate loans or maintain its current inventory of commercial real estate loans. The Company's commercial business loans are made based primarily on the cash flow and creditworthiness of the borrower and secondarily on the underlying collateral provided by the borrower, with liquidation of the underlying real estate collateral being viewed as the primary source of repayment in the event of borrower default. The borrowers' cash flow may be difficult to predict, and collateral securing these loans may fluctuate in value. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable, or other business assets, the liquidation of collateral in the event of default is often an insufficient source of repayment. As of December 31, 2023-2024, commercial and commercial real estate loans totaled \$ 4.3-9 billion or 70-72 % of the Company's total loans. The Company's agricultural loans are often dependent upon the health of the agricultural industry in the location of the borrower, and the ability of the borrower to repay may be affected by many factors outside of the borrower's control. As part of the Company's commercial business lending activities, the Company originates agricultural loans, consisting of agricultural real estate loans and agricultural operating loans. As of December 31, 2023-2024, \$ 322-327.9-6 million or 5.8-4 % of the Company's total loan portfolio consisted of agriculturally-related loans, including \$ 221-217.7-6 million in agricultural real estate loans and \$ 101-110.2-0 million in agricultural operating loans. Payments on agricultural loans are dependent on the profitable operation or management of the related farm property. The success of the farm may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields (such as wind, hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural products and the impact of governmental regulations and subsidies (including changes in price supports and environmental regulations). Many farms are dependent upon a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired. While agricultural operating loans are generally secured by a blanket lien on the farm's operating assets, any repossessed collateral in respect of a defaulted loan may not provide an adequate source of repayment of the outstanding balance. Additionally, the profitable operation or management of the related farm properties, and the value thereof, is impacted by changes in U. S. government trade policies. Tariffs, retaliatory tariffs or other trade restrictions on products and materials that farm properties related to our agriculturally-related loans import or export could cause the costs of such farm operations and management to increase, the price of products from such farm operations to increase, demand for such products to decrease and the margins on such products to decrease. Such potential adverse effects on related farm property operations and management could reduce the related farm properties' revenues, financial results and ability to service debt, which, in turn, could adversely affect our financial condition and results of operations. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate, our business, results of operations and financial condition could be materially and adversely impacted in the future. The Company could be subject to environmental risks and associated costs on real estate properties owned by the Company, real estate properties that collateralize the Company's loans or real estate properties that the Company obtains title to. The Company owns various properties used in the operation of its business. In addition, from time to time, the Company forecloses on properties or may be deemed to become involved in the management of its borrowers' properties. The Company could be subject to environmental liabilities imposed by applicable federal and state laws with respect to any of these properties. For example, we may be held liable to a government entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to clean up hazardous or toxic substances, or chemical releases, at a property, or may be subject to common law claims by third parties for damages and costs resulting from environmental contamination emanating from the property. Additionally, a significant portion of our loan portfolio at December 31, 2023-2024 was secured by real estate and, if the real estate securing our assets is subject to environmental liability, our collateral position may be substantially weakened. Any such environmental liabilities imposed on the Company could have a material adverse impact on the Company's financial condition or results of operations. Market Risk The Company's business and financial performance are impacted significantly by market interest rates and movements in those rates. The monetary, tax and other policies of governmental agencies, including the Federal Reserve, have a significant impact on interest rates and

overall financial market performance over which the Company has no control and which the Company may not be able to anticipate adequately. As a result of the high percentage of the Company's assets and liabilities that are in the form of interest-bearing or interest-related instruments, changes in interest rates, in the shape of the yield curve or in spreads between different market interest rates, can have a material effect on the Company's business and profitability and the value of the Company's assets and liabilities. For example, changes in interest rates or interest rate spreads may: • affect the difference between the interest that the Company earns on assets and the interest that the Company pays on liabilities, which impacts the Company's overall net interest income and profitability -; • adversely affect the ability of borrowers to meet obligations under variable or adjustable rate loans and other debt instruments, which in turn, affects the Company's loss rates on those assets -; • decrease the demand for interest rate-based products and services, including loans and deposits -; and • affect prepayment rates on the Company's loans and securities, which could adversely affect the Company's earnings, financial condition and cash flow. The monetary, tax and other policies of the Federal government and its agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance. These governmental policies can thus affect the activities and results of operations of banking organizations such as the Company. An important function of the Federal Reserve is to regulate the national supply of bank credit and certain interest rates. The actions of the Federal Reserve influence the rates of interest that the Company charges on loans and that the Company pays on borrowings and interest-bearing deposits and can also affect the value of the Company's on-balance sheet and off-balance sheet financial instruments. Also, due to the impact on rates for short-term funding, the Federal Reserve's policies influence, to a significant extent, the Company's cost of such funding. The Company cannot predict the nature or timing of future changes in monetary, tax and other policies or the effect that they may have on the Company's business activities, financial condition and results of operations. For information about how the Company manages its interest rate risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of this Report. Adverse developments affecting the banking industry, and resulting media coverage, have contributed to market volatility and eroded confidence regulatory scrutiny in the banking system and could have negatively impacted a material effect on the Company's results of operations and / or stock price, and such adverse effects on the Company could recur or continue. Adverse Events events affecting the financial services industry generally, including bank failures, has caused have resulted in decreased confidence in banks the banking system among investors, customers and counterparties, which has generated significant market volatility among publicly traded bank holding companies. As a result, customers may choose to maintain deposits with other financial institutions or invest in higher yielding short term fixed income securities, which could adversely impact our liquidity and results of operations. Uncertainty and concern regarding soundness or creditworthiness of other financial institutions has been, and may be in the future, compounded by advances in technology that increase the speed at which deposits can be moved, as well as the speed and reach of media attention, including social media, and its ability to disseminate concerns or rumors, in each case potentially exacerbating liquidity concerns and market disruption within the financial services industry, and may increase the risk of a wider economic recession. These Such events have, and any future events could continue to, adversely impact the market price and volatility of the Company's common stock. Additionally, High high profile bank failures and other events affecting the banking industry have resulted in, and may also continue to result in, potentially adverse changes to laws or and regulations governing banks and bank holding companies or increased result in the impositions of restrictions through supervisory or enforcement activities, including higher capital requirements or FDIC insurance assessments or special assessments. Any of these changes could have a material impact on our business, financial condition and results of operations. Declines in asset values may result in impairment charges and may adversely affect the value of the Company's results of operations, financial condition and cash flows. A majority of the Company's investment portfolio is comprised of securities which are collateralized by residential mortgages. These residential mortgage-backed securities include securities of U. S. government agencies, U. S. government-sponsored entities, and private-label collateralized mortgage obligations. The Company's securities portfolio also includes obligations of U. S. government-sponsored entities, obligations of states and political subdivisions thereof, U. S. corporate debt securities and equity securities. A more detailed discussion of the investment portfolio, including types of securities held, the carrying and fair values, and contractual maturities, is provided in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Report. Gains or losses on these instruments may have a direct impact on the our results of operations, including higher or lower income and earnings, unless we adequately hedge our positions. The fair value of investments may be affected by factors other than the underlying performance of the issuer or composition of the obligations themselves, such as rating downgrades, adverse changes in the business climate, a lack of liquidity for resale of certain investment securities and changes in interest rates. For example, decreases in interest rates and increases in mortgage prepayment speeds, which are influenced by interest rates and other factors, could adversely impact the value of our securities collateralized by residential mortgages, causing a significant acceleration of purchase premium amortization on our mortgage portfolio because a decline in long-term interest rates shortens the expected lives of the securities. Conversely, increases in interest rates may result in a decrease in residential mortgage loan originations and mortgage prepayment speeds, directly impacting the value of these securities collateralized by residential mortgages. Management evaluates investment securities for expected credit losses related impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Any impairment that is not credit related is recognized in other comprehensive income (loss), net of applicable taxes. Credit-related impairment is recognized as an allowance for credit losses on the Company's Consolidated Statement Statements of Condition, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings. The Company's business may be adversely affected by general economic conditions in local and national markets, the possibility of the economy's return to recessionary conditions and the possibility of further turmoil or volatility in the financial markets. General economic conditions impact the banking and financial services industry. The U. S. and global economies have experienced volatility in recent years and may continue to do so for the foreseeable future. There can be no assurance that economic conditions will not deteriorate. Unfavorable or uncertain

economic conditions can be caused by many macro and micro factors, including declines in economic growth, business activity or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, the timing and impact of changing governmental policies, and the impact of widespread protests, civil unrest, wars, pandemics and other public health crises. The Company is particularly affected by U. S. domestic economic conditions, including U. S. interest rates, the unemployment rate, housing prices, the level of consumer confidence, changes in consumer spending, the number of personal bankruptcies and other factors. A decline in U. S. domestic business and economic conditions, without rapid recovery, could have adverse effects on our business, including the following:

- consumer and business confidence levels could be lowered and cause declines in credit usage, adverse changes in payment patterns, decreases in demand for loans or other financial products and services and decreases in deposits or investments in accounts with Company;
- the Company's ability to assess the creditworthiness of its customers may be impaired if the models and approaches the Company uses to select, manage and underwrite its customers become less predictive of future behaviors;
- demand for and income received from the Company's fee-based services, including investment services and insurance commissions and fees, could decline, the cost to the Company to provide any or all products and services could increase, and the levels of assets under management could materially impact revenues from our trust and wealth management businesses; and
- the credit quality or value of loans and other assets or collateral securing loans may decrease.

The Company's business is concentrated in and largely dependent upon the continued growth and welfare of the general geographic markets in which we operate. The Company's operations are heavily concentrated in the New York State and, to a lesser extent, Pennsylvania and, as a result, the Company's financial condition, results of operations and cash flows are significantly impacted by changes in the economic conditions in those areas. Therefore, the Company's financial performance generally, and in particular, the ability of borrowers to pay interest on and repay the principal of outstanding loans and the value of collateral securing these loans, is highly dependent upon the business environment in the markets where the Company operates, particularly New York State and Pennsylvania. The Company's success depends to a significant extent upon the business activity, population, income levels, deposits and real estate activity in these markets. Although our the Company's clients' business and financial interests may extend well beyond these markets, adverse economic conditions that affect these markets could disproportionately reduce the Company's growth rate, affect the ability of the Company's clients to repay their loans to the Company, affect the value of collateral underlying loans and generally affect the Company's financial condition and results of operations. Because of the Company's geographic concentration, we are less able than other regional or national financial institutions to diversify our credit risks across multiple markets. For additional information on the Company's market area, see Part I, Item 1, "Business" of this Report on Form 10-K.

Liquidity Risk The Company's funding sources may prove insufficient to replace deposits and support future growth. The Company must maintain sufficient cash flow and liquid assets to satisfy current and future financial obligations, including demand for loans and deposit withdrawals, funding operating costs, and for other corporate purposes. As a part of our liquidity management, we use a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. As we continue to grow, we are likely to become more dependent on these sources, which may include various short-term and long-term wholesale borrowings, including Federal funds purchased and securities sold under agreements to repurchase, brokered certificates of deposit, proceeds from the sale of loans, and borrowings from the FHLBNY and others. We also maintain available lines of credit with the FHLBNY that are secured by loans. Adverse operating results or changes in industry conditions could make it difficult or impossible for us to access these additional funding sources and could make our existing funds more volatile. Our financial flexibility could be materially 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. If we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In that case, our operating margins and profitability would be adversely affected. Further, the volatility inherent in some of these funding sources, particularly including brokered deposits, may increase our exposure to liquidity risk. Any interruption in these sources of liquidity when needed could adversely affect our results of operations, financial condition, cash flow or regulatory capital levels. In addition, reduced liquidity could result from circumstances beyond our control, such as general market disruptions or operational problems that affect us or third parties. Management's efforts to closely monitor our liquidity position for compliance with internal policies may not be successful or sufficient to deal with dramatic or unanticipated reductions in liquidity. The Company's liquidity may be adversely affected by the soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry. The most important counterparty for the Company, in terms of liquidity, is the Federal Home Loan Bank of New York ("FHLBNY"). The Company uses FHLBNY as its primary source of overnight funds and also has long-term advances and repurchase agreements with FHLBNY. The Company has placed is required to maintain sufficient collateral in the form of commercial and residential real estate loans at FHLBNY. In addition, the Company is required to hold stock in FHLBNY. The amount of borrowed funds and repurchase agreements with the FHLBNY, and the amount of FHLBNY stock held by the Company, at its most recent fiscal year-end are discussed in Part II, Item 8 of this Report on Form 10-K. There are 11 branches of the FHLB, including New York. The FHLBNY is jointly and severally liable along with the other FHLBs for the consolidated obligations issued on behalf of the FHLBs through the Office of Finance. Dividends on, redemption of, or repurchase of shares of the FHLBNY's capital stock cannot occur unless the principal and interest due on all consolidated obligations have been paid in full. If another FHLB were to default on its obligation to pay principal or interest on any consolidated obligations, the Federal Home Loan Finance Agency (the "Finance Agency") may allocate the outstanding liability among one or more of the remaining Federal Home Loan Banks on a pro rata basis or on any other basis the Finance Agency may determine. As a result, the FHLBNY's ability to pay dividends on, to redeem, or to repurchase shares of capital stock could be affected by the financial condition of one or more of the other Federal Home Loan Banks. Any such adverse effects on

the FHLBNY could adversely affect our liquidity, ~~and~~ the value of our investment in FHLBNY common stock, and could negatively impact our results of operations. Systemic weakness in the FHLB ~~system~~ could result in higher costs of FHLB borrowings, reduced value of FHLB stock, and increased demand for alternative sources of liquidity that are more expensive, such as brokered time deposits, the discount window at the Federal Reserve, or lines of credit with correspondent banks. Any of these scenarios could adversely affect our liquidity, the value of our investment in FHLB common stock and our financial condition. A decline in the value of our goodwill and other intangible assets could adversely affect our financial condition and results of operations. As of December 31, ~~2023~~ 2024, the Company had \$ 94.9-8 million of goodwill and other intangible assets. The Company is required to test its goodwill and intangible assets for impairment on a periodic basis. A significant decline in the Company's expected future cash flows, a significant adverse change in business climate, slower growth rates or a significant and sustained decline in the price of the Company's common stock, may necessitate our taking charges in the future related to the impairment of the Company's goodwill and intangible assets. If we make an impairment determination in a future reporting period, the Company's earnings and the book value of these intangible assets would be reduced by the amount of the impairment. Further, a goodwill impairment charge could significantly restrict the ability of our banking subsidiary to make dividend payments to us without prior regulatory approval, which could have a material adverse effect on our financial condition and results of operations. The Company relies on cash dividends from its subsidiaries to fund its operations, and payment of those dividends could be discontinued at any time. The Company is a financial holding company whose principal assets and sources of income are its wholly-owned subsidiaries. The Company is a separate and distinct legal entity from its subsidiaries, and therefore the Company relies primarily on dividends from its ~~banking and other~~ subsidiaries to meet its obligations and to provide funds for the payment of dividends to the Company's shareholders, to the extent declared by the Company's board of directors. Various federal and state laws and regulations limit the amount of dividends that a bank may pay to its parent company and impose regulatory capital and liquidity requirements on the Company and its banking subsidiary. Further, as a holding company, the Company's right to participate in a distribution of assets upon the liquidation or reorganization of a subsidiary is subject to the prior claims of the subsidiary's creditors (including, in the case of the Company's banking subsidiary, the bank's depositors). If the Company were unable to receive dividends from its subsidiaries it would materially and adversely affect the Company's liquidity and its ability to service its debt, pay its other obligations, or pay cash dividends on its common stock.

Operational Risks The Company has been, and may continue to be, adversely affected by fraud. As a financial institution, the Company is inherently exposed to operational risk in the form of theft and other fraudulent activity by employees, customers and other third parties targeting the Company and / or the Company's customers or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Although the Company devotes substantial resources to maintaining effective policies and internal controls to identify and prevent such incidents, given the increasing sophistication of possible perpetrators, the Company may experience financial losses or reputational harm as a result of fraud. Fraudulent activity could have a material adverse effect on the Company's business, financial condition and results of operations. A breach of information or other technological security, including as a result of cyber-attacks, could have a material adverse effect on our business, financial condition and results of operations. In the ordinary course of business, we rely on electronic communications and information systems, both internally and as provided by third parties, including our customers, to conduct our operations and to store, process, and / or transmit sensitive data on a variety of computing platforms and networks and over the Internet. We cannot be certain that all of our systems, or third-party systems upon which we rely, are free from vulnerability to attack or other technological difficulties or failures. Information security breaches and cybersecurity-related incidents may include attempts to access information, including customer and company information, malicious code, computer viruses, phishing, denial of service attacks and other means of intrusion that could result in unauthorized access, misuse, loss or destruction of data (including confidential customer, employee and company information), account takeovers, and disruption of service or other functionality. These types of threats may derive from human error, fraud or malice on the part of external or internal parties, or may result from accidental technological failure. If information security is breached or difficulties or failures occur, despite the controls we and our third-party vendors have instituted, information may be lost or misappropriated or we and / or our customers may experience a disruption in essential service or operations. Any of the foregoing events could result in financial loss or costs, reputational harm or damages and litigation, regulatory investigation costs or remediation costs to us or others. Any of these consequences could have a material adverse effect on our financial condition and results of operations. The pervasive and ongoing risk of cybersecurity threats and incidents could have a material adverse effect on our business, financial condition and results of operations. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, has significantly increased, in part due to the expansion of new technologies, the increased use of the ~~Internet~~ internet and mobile services and the increased intensity and sophistication of attempted attacks and intrusions from around the world. The threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. Breach attempts or other disruptions are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures. Our systems and those of our customers and third-party service providers are under constant threat and it is possible that we could experience a significant event in the future. Our technologies, systems, networks and software, and those of other financial institutions have been, and are likely to continue to be, the target of cybersecurity threats and attacks, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at us. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats as well as the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers. Publicized information concerning security and cyber-related problems could cause us to incur reputational harm and discourage customers from using

our electronic or web- based applications or solutions, which could harm their utility as a means of conducting commercial transactions. **In addition, While while** we maintain specific" cyber" insurance coverage, which **would may** apply in the event of many breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not be addressed and covered under our cyber insurance coverage **, or even if covered, our coverage may not be sufficient**. As cyber threats continue to evolve, we have been and may continue to be required to expend significant additional resources to modify our protective measures or to investigate and remediate any information security vulnerabilities, which may negatively impact our business, financial condition and results of operations. The Company' s business requires the collection and retention of large volumes of sensitive data, which is subject to extensive regulation and oversight and exposes our business to additional risks. **The In the Company' s** **, in its** ordinary course of business, ~~it~~ collects and retains large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. The Company also maintains important internal Company data such as personally identifiable information about its employees and information relating to operations. Customers and employees have been, and will continue to be, targeted by cybersecurity threats attempting to misappropriate confidential information such as passwords, bank account information or other personal or business information. The Company' s attempts to mitigate these threats may not be successful as cybercrimes are complex and continue to evolve. A security breach or other significant disruption of our information systems or those related to our customers, merchants and our third- party vendors, including as a result of cyber- attacks and / or human error could result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information of ours or our customers. Unauthorized access and / or disclosure of the confidential information of ours or our customers could (i) result in a violation of applicable privacy, data breach and other laws, subjecting us to additional regulatory scrutiny and exposing us to civil litigation, governmental action and possible financial liability; (ii) require significant management attention and resources to remedy the damages that result; and / or (iii) harm our reputation ~~or~~ and / or cause a decrease in the number of customers that choose to do business with us. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. The Company' s operations may be adversely affected if its external vendors do not perform as expected or if its access to third- party services is interrupted. The Company relies on certain external vendors to provide products and services necessary to maintain the day- to- day operations of the Company. Some of the products and services provided by vendors include key components of our business infrastructure including data processing and storage and internet connections and network access, among other products and services. Accordingly, the Company' s operations are exposed to the risk that these vendors will not perform in accordance with the contracted arrangements or under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements or under service level agreements, because of changes in the vendor' s organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could disrupt the Company' s operations. If we are unable to find alternative sources for our vendors' services and products quickly and cost- effectively, the failures of our vendors could have a material adverse impact on the Company' s business and, in turn, the Company' s financial condition and results of operations. Additionally, our information technology and telecommunications systems interface with and depend on third- party systems, and we could experience service denials if demand for such services exceeds capacity or such third- party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewal loans, gather deposits and provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. Climate change could have a material negative impact on the Company and clients. The Company' s business, as well as the operations and activities of our clients, could be negatively impacted by climate change. Climate change presents both immediate and long- term risks to the Company and its clients, and these risks are expected to increase over time. Climate change presents multi- faceted risks, including: operational risk from the physical effects of climate events on the Company and its clients' facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon- dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change, the Company' s carbon footprint, and the Company' s business relationships with clients who operate in carbon- intensive industries. Federal and state banking regulators and supervisory authorities, investors, and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their clients, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, either via disruptions in economic activity resulting from the physical impacts of climate change or changes in policies as the economy transitions to a less carbon- intensive environment, the Company may face regulatory risk of increasing focus on the Company' s resilience to climate- related risks, including in the context of stress testing for various climate stress scenarios. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices have and may continue to result in higher regulatory, compliance, credit, and reputational risks and costs. With the increased importance and focus on climate change, we are making efforts to enhance our governance of climate change- related risks and integrate climate considerations into our risk governance framework. Nonetheless, the risks associated with climate change are rapidly changing and evolving in an escalating fashion, making them difficult to assess due to limited data and other uncertainties. We could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to our response to climate change and our climate change strategy, which, in turn, could have a material negative impact on our business, results of operations, and

financial condition. The Company's insurance agency subsidiary's commission revenues are based on premiums set by insurers and any decreases in these premium rates could adversely affect its operations and revenues. The Company's insurance agency subsidiary, Tompkins Insurance, derives the bulk of its revenue from commissions paid by insurance underwriters on the sale of insurance products to clients. Tompkins Insurance does not determine the insurance premiums on which its commissions are based. Insurance premiums are cyclical in nature and may vary widely based on market conditions. As a result, insurance brokerage revenues and profitability can be volatile. Revenue from insurance commissions and fees could be negatively affected by fluctuations in insurance premiums and other factors beyond the Company's control, including changes in laws and regulations impacting the healthcare and insurance markets. In addition, there have been and may continue to be various trends in the insurance industry toward alternative insurance markets including, among other things, increased use of self-insurance, captives, and risk retention groups. Even if Tompkins Insurance is able to participate in these activities, it is unlikely to realize revenues and profitability as favorable as those realized from our traditional brokerage activities. The Company cannot predict the timing or extent of future changes in premiums and thus commissions. As a result, the Company cannot predict the effect that future premium rates will have on its operations. Decreases in premium rates could adversely affect its operations and revenues.

Legal, Compliance and Regulatory Risks The Company operates in a highly regulated environment and may be adversely impacted by current or future laws and regulations due to increased compliance costs, potential fines for noncompliance, and restrictions on our ability to offer products or buy or sell businesses. The Company is subject to extensive state and federal laws and regulations, supervision and legislation that affect how it conducts its business. The majority of these laws and regulations are for the protection of consumers, depositors and the deposit insurance funds- fund. The regulations influence such things as the Company's lending practices, capital structure, investment practices, and dividend policy. The Dodd- Frank Act, which established the CFPB and enacted other reforms, has had, and will may continue to have, a significant effect on the entire financial services industry. Compliance with these regulations and other initiatives negatively impacts revenue and increases the our cost of doing business on an ongoing basis. **New Any new regulatory agenda could bring new or changed regulatory requirements or changes to existing requirements and enforcement priorities, which** could necessitate changes to the Company's businesses, result in increased compliance costs and affect the profitability of such businesses. Refer to "Supervision and Regulation" in Part I, Item 1-" Business" of this Report on Form 10 - K for additional information on material laws and regulations impacting the Company's business. **Additionally Financial institutions have become subject to increased scrutiny, more intense supervision and regulation, and more supervisory findings and actions.** banking **Banking** regulators are authorized to take supervisory actions that may restrict or limit a financial institution's activities. Regulatory restrictions on our activities could adversely affect our costs and revenues, and may impair our ability to execute our strategic plans. In addition, if our regulators identify a compliance failure, we may be assessed a fine, prohibited from completing a strategic acquisition or divestiture, or subject to other actions imposed by the regulatory authorities. The recent regulatory activity and increased scrutiny have resulted, and may continue to result, in increases in our costs of doing business, and could result in decreased revenues and net income, reduce our ability to effectively compete to attract and retain customers, or make it less attractive for us to continue providing certain products and services. Any future changes in federal or state law and regulations, as well as the interpretations and implementations, or modifications or repeals, of such laws and regulations, could have a material adverse effect on our business, financial condition or results of operations. The Company may be exposed to regulatory sanctions or liability if we do not timely detect and report money laundering or other illegal activities. We are required to comply with anti- money laundering and anti- terrorism laws applicable to financial institutions. These laws and regulations require us, among other things, to enact policies and procedures to confirm-verify the identity of our customers, and to report suspicious transactions to regulatory agencies. These laws and regulations are complex and compliance with them require-requires costly, sophisticated monitoring systems and qualified personnel. **The bank regulatory agencies have increased the regulatory scrutiny of the anti- money laundering programs maintained by financial institutions.** The policies and procedures that we have adopted in order to detect and prevent such illegal transactions may not be successful in eliminating all instances of such transactions. To the extent we fail to fully comply with applicable laws and regulations, we face the possibility of fines or other penalties, such as restrictions on our business activities, and we may also suffer reputational harm, all of which could have a material adverse effect on our business, results of operations and financial condition. Refer to "Supervision and Regulation" in Part I, Item 1-" Business" of this Report on Form 10 - K for additional information on anti-money laundering and anti- terrorism laws impacting the Company's business. We will be subject to heightened regulatory requirements if we exceed \$ 10 billion in total consolidated assets. Based on our historical growth rates and current size, it is possible that our total assets could exceed \$ 10 billion dollars in the future. Our total consolidated assets on-as of December 31, 2023-2024 were \$ 7-8 .1 billion. The Dodd- Frank Act and its implementing regulations impose enhanced supervisory requirements on bank holding companies with more than \$ 10 billion in total consolidated assets. In addition to the additional regulatory requirements that we will become subject to upon-if we crossing--- cross this asset threshold, federal financial regulators may require the Company to, or the Company may proactively, take actions to prepare for compliance with such increased regulations before we exceed \$ 10 billion in total consolidated assets. We may, therefore, incur significant compliance costs in an effort to ensure compliance before-although we have not reach-reached \$ 10 billion in total consolidated assets. These additional compliance costs, if they occur, may adversely affect our business, results of operations and financial condition. The Company is or may become involved in lawsuits, legal proceedings, information- gathering requests, and investigations by governmental agencies or other parties that may lead to adverse consequences. The Company's primary business of financial services involves substantial risk of legal liability. The Company and its subsidiaries are, from time to time, named or threatened to be named as defendants in various lawsuits arising from their respective business activities, including activities of companies they have acquired. In addition, from time to time, the Company is, or may become, the subject of governmental and self- regulatory agency information- gathering requests, reviews, investigations and proceedings and other

forms of regulatory inquiry, including by bank regulatory agencies, the SEC and law enforcement authorities. The results of such proceedings could lead to delays in or prohibition to acquire other companies, significant penalties, including monetary penalties, damages, adverse judgments, settlements, fines, injunctions, restrictions on the way in which the Company conducts its business, or reputational harm. Although the Company establishes accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, the Company does not have accruals for all legal proceedings where it faces a risk of loss. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, amounts accrued may not represent the ultimate loss to the Company from the legal proceedings in question. Thus, the Company's ultimate losses may be higher than the amounts accrued for legal loss contingencies, which could adversely affect the Company's financial condition and results of operations.

Strategic Risk The Company is subject to risks presented by acquisitions, which, if realized, could negatively affect our results of operations and financial condition. The Company's strategic initiatives include diversification within its markets, growth of its fee-based businesses, and growth internally and through acquisitions of financial institutions, branches, and financial services businesses. As such, the Company has acquired, and from time to time considers acquiring, banks, thrift institutions, branch offices of banks or thrift institutions, or other businesses within markets currently served by the Company or in other locations that would complement the Company's business or its geographic reach. Any future acquisitions will be accompanied by the risks commonly encountered in acquisitions. These risks include: the difficulty of integrating operations and personnel, the potential disruption of our ongoing business, the inability of management to realize or maximize anticipated financial and strategic positions, increased operating costs, the inability to maintain uniform standards, controls, procedures and policies, the difficulty and cost of obtaining adequate financing, the potential for litigation risk, the potential loss of members of a key executive management group, the potential reputational damage and the impairment of relationships with employees and customers as a result of changes in ownership and management. Further, the asset quality or other financial characteristics of an acquired company may deteriorate after the acquisition agreement is signed or after the acquisition closes. We cannot provide any assurance that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions and any of these risks, if realized, could have an adverse effect on our results of operations and financial condition. Our success depends on our ability to offer our customers an evolving suite of products and services, and we may not be able to effectively manage the risks inherent in the development of financial products and services. We continually monitor our suite of products and services, and prioritize new offerings based on our determination of customer demand, within regulatory parameters for financial products. We may invest significant time and resources in new products which become obsolete, or do not generate the revenues we had anticipated, or which are ultimately deemed unacceptable by regulatory authorities. As we expand the range and complexity of our products and services, we are exposed to increasingly complex risks, including potential fraud, and our employees and risk management systems may not be adequate to mitigate such risks effectively. Our failure to effectively identify and manage these risks and uncertainties could have a material adverse effect on our business.

The implementation and use of new and evolving Artificial Intelligence ("AI") technologies present uncertainties and challenges. The financial services industry is subject to rapid technological developments and innovations, including the use of AI technologies. The development and implementation of AI technologies is complex, and there are technical challenges associated with achieving the optimal level of accuracy, efficiency and reliability. The algorithms and models used in AI systems may have limitations, including biases, errors, or inability to handle certain data types or scenarios. The use of AI technologies by financial institutions and their customers, and the regulatory framework and expectations surrounding the use of AI technologies, are in their early stages. Flaws in the technology, ethical issues associated with the use of AI, new or increased regulation concerning the use of AI by financial institutions, and other challenges related to the use of AI may limit its usefulness and expose us to competitive harm, potential legal liability, and brand or reputational harm. Furthermore, there is a risk of system failures, disruptions, or vulnerabilities that could compromise the integrity, security or privacy of generated content. If we are unable to successfully use and manage AI technologies, such limitations or failures could result in reputational damage, inefficiencies, increased costs, and competitive harm, any of which could have a material adverse effect on our financial condition and results of operations.