UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the Fiscal Year Ended December 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the Transition Period from to

Commission File Number: 000-11486

ConnectOne Bancorp, Inc.

(Exact name of registrant as specified in its charter)

New Jersey (State or Other Jurisdiction of Incorporation or Organization)	**52-1273725** (IRS Employer Identification Number)

301 Sylvan Avenue
Englewood Cliffs , New Jersey 07632
(Address of Principal Executive Offices) (Zip Code)

844 - 266-2548
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, no par value	CNOB	NASDAQ
Depositary Shares (each representing a 1/40 th interest in a share of 5.25% Series A Non-Cumulative, perpetual preferred stock)	CNOBP	NASDAQ

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, a smaller reporting company or emerging growth company. See definition of “large accelerated filer”, “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Securities Exchange Act of 1934.

Large Accelerated Filer ☒	Accelerated Filer ☐	Non-Accelerated ☐	Small Reporting Company ☐
			Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared its audit report. Yes ☒ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ☐ No ☒

The aggregate market value of the voting and nonvoting common equity held by nonaffiliates computed by reference to the price at which the common equity was last sold or the average bid and ask price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter - $ 679.1 million.

Shares Outstanding on February 21, 2025
Common Stock, no par value: 38,374,263 shares

DOCUMENTS INCORPORATED BY REFERENCE

Definitive proxy statement in connection with the 2025 Annual Stockholders Meeting to be filed with the Commission pursuant to Regulation 14A will be incorporated by reference in Part III

CONNECTONE BANCORP, INC.

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Information included in or incorporated by reference in this Annual Report on Form 10-K, other filings with the Securities and Exchange Commission, the Company's press releases or other public statements, contain or may contain forward-looking statements. Please refer to a discussion of the Company's forward-looking statements and associated risks in "Item 1 - Business – Forward Looking Statements" and "Item 1A - Risk Factors" in this Annual Report on Form 10-K.

CONNECTONE BANCORP, INC.
FORM 10-K

PART I

Item 1. Business

Forward Looking Statements

This report, in Item 1, Item 7 and elsewhere, includes forward-looking statements within the meaning of Sections 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended, that involve inherent risks and uncertainties. These forward-looking statements concern the financial condition, results of operations, plans, objectives, future performance and business of ConnectOne Bancorp, Inc. and its subsidiaries, including statements preceded by, followed by or that include words or phrases such as “believes,” “expects,” “anticipates,” “plans,” “trend,” “objective,” “continue,” “remain,” “pattern” or similar expressions or future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may” or similar expressions. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) the impact of the health emergencies, including pandemics, and natural disasters, such as flood or fires, and the government’s response on our operations as well as those of our clients and on the economy generally and in our market area specifically, (2) competitive pressures among depository institutions may increase significantly; (3) changes in the interest rate environment may reduce interest margins; (4) prepayment speeds, loan origination and sale volumes, charge-offs and loan loss provisions may vary substantially from period to period; (5) general economic conditions may be less favorable than expected; (6) political developments, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions; (7) legislative or regulatory changes or actions may adversely affect the businesses in which ConnectOne Bancorp, Inc. is engaged; (8) changes and trends in the securities markets may adversely impact ConnectOne Bancorp, Inc.; (9) a delayed or incomplete resolution of regulatory issues could adversely impact our planning; (10) difficulties in integrating any businesses that we may acquire, which may increase our expenses and delay the achievement of any benefits that we may expect from such acquisitions; (11) the impact of reputation risk created by the developments discussed above on such matters as business generation and retention, funding and liquidity could be significant; and (12) the outcome of any future regulatory and legal investigations and proceedings may not be anticipated. Further information on other factors that could affect the financial results of ConnectOne Bancorp, Inc. are included in Item 1A of this Annual Report on Form 10-K and in ConnectOne Bancorp’s other filings with the Securities and Exchange Commission. These documents are available free of charge at the Commission’s website at http://www.sec.gov and/or from ConnectOne Bancorp, Inc. ConnectOne Bancorp, Inc. assumes no obligation to update forward-looking statements at any time.

Historical Development of Business

ConnectOne Bancorp, Inc., (the “Company” and with ConnectOne Bank, “we” or “us”) a one-bank holding company, was incorporated in the State of New Jersey on November 12, 1982 as Center Bancorp, Inc. and commenced operations on May 1, 1983 upon the acquisition of all outstanding shares of capital stock of Union Center National Bank, its then principal subsidiary.

On January 20, 2014, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with ConnectOne Bancorp, Inc., a New Jersey corporation (“Legacy ConnectOne”). Effective July 1, 2014, the Company completed the merger contemplated by the Merger Agreement (the “Merger”) with Legacy ConnectOne merging with and into the Company, with the Company as the surviving corporation. Also, at closing, the Company changed its name to “ConnectOne Bancorp, Inc.” and changed its NASDAQ trading symbol to “CNOB”. Immediately following the consummation of the Merger, Union Center National Bank merged with and into ConnectOne Bank, a New Jersey-chartered commercial bank (“ConnectOne Bank” or the “Bank”) and a wholly-owned subsidiary of Legacy ConnectOne, with ConnectOne Bank continuing as the surviving bank.

On July 11, 2018, the Company entered into an Agreement and Plan of Merger with Greater Hudson Bank (“GHB”), under which GHB merged with and into ConnectOne Bank, with ConnectOne Bank as the surviving bank. This transaction was consummated effective January 2, 2019. As part of this merger, the Company acquired approximately $0.4 billion in loans, assumed approximately $0.4 billion in deposits and acquired seven branch offices located in Rockland, Orange and Westchester, Counties, New York.

On May 31, 2019, the Company, through the Bank, completed its purchase of all of the assets of New York/Boston-based BoeFly, LLC and contributed them to its newly formed subsidiary, BoeFly, Inc (“BoeFly”). BoeFly’s online business lending marketplace helps connect small- to medium-size businesses, primarily franchisors and franchisees, with professional loan brokers and lenders across the United States. BoeFly operates as an independent brand and subsidiary of the Bank.

On January 2, 2020, the Company completed its in-market merger with Bergen County, New Jersey based Bancorp of New Jersey, Inc. ("BNJ"), pursuant to which BNJ merged with and into the Company, and BNJ's bank subsidiary, Bank of New Jersey, merged with and into the Bank. All of BNJ's offices were located in Bergen County, New Jersey. As part of this merger, the Company acquired approximately $0.8 billion in loans and assumed approximately $0.8 billion in deposits.

On September 4, 2024, the Company entered into an Agreement and Plan of Merger with The First of Long Island Corporation ("FLIC"), the holding company for the First National Bank of Long Island ("FNBLI"). Under the agreement, FLIC will merge with and into the Company, with the Company as the surviving entity, and FNBLI will merge with and into ConnectOne Bank, with ConnectOne Bank as the surviving bank. FNBLI is a Melville, New York headquartered national bank serving Nassau and Suffolk Counties on Long Island and New York City through 37 branches. On February 14, 2025, at separate special meetings, the shareholders of both companies approved proposals relating to the pending merger of the Company and FLIC.

As of December 31, 2024, FLIC had total assets of $4.1 billion and total deposits of $3.3 billion. The merger, which is subject to receipt of all required regulatory approvals, is expected to close during the first or second calendar quarter of 2025.

The Company's primary activity, at this time, is to act as a holding company for the Bank and its other subsidiaries. As used herein, the term "Parent Corporation" shall refer to the Company on an unconsolidated basis.

The Company owns 100% of the voting shares of Center Bancorp, Inc. Statutory Trust II, through which it issued trust preferred securities. The trust exists for the exclusive purpose of (i) issuing trust securities representing undivided beneficial interests in the assets of the trust; (ii) investing the gross proceeds of the trust securities in $5.2 million of junior subordinated deferrable interest debentures (subordinated debentures) of the Company; and (iii) engaging in only those activities necessary or incidental thereto. These subordinated debentures and the related income effects are not eliminated in the consolidated financial statements as the statutory business trust is not consolidated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810-10 "Consolidation of Variable Interest Entities." Distributions on the subordinated debentures owned by the subsidiary trust have been classified as interest expense in the Consolidated Statements of Income. See Note 10 of the Notes to Consolidated Financial Statements.

Except as described above, the Company's direct and indirect subsidiaries are all included in the Company's consolidated financial statements. These subsidiaries include BoeFly, an advertising subsidiary, a financial services company, and various investment subsidiaries which hold, maintain and manage investment assets for the Company. The Company's subsidiaries also include a Real Estate Investment Trust (the "REIT") which holds a portion of the Company's real estate loan portfolio. All subsidiaries mentioned above are directly or indirectly wholly owned by the Company, except that the Company indirectly owns less than 100% of the preferred stock of the REIT. A REIT must have 100 or more individual shareholders. The REIT has issued less than 20% of its outstanding non-voting preferred stock to individuals, primarily Bank personnel and directors.

SEC Reports and Corporate Governance

The Company makes its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments thereto available on its website at https://www.connectonebank.com without charge as soon as reasonably practicable after filing or furnishing them to the SEC. Also available on the website is the Company's corporate Code of Conduct that applies to all of the Company's employees, including principal officers and directors. Additionally, within the Investor Relations section of the Company's web site, charters for the Audit and Risk Committee, Nominating and Corporate Governance Committee and Compensation Committee can be found, along with the Company's Corporate Governance Guidelines, Equal Employment Opportunity and Right to be Free of Gender Inequity 2022, Anti-Harassment & Discrimination Policy, Compensation Recoupment Policy and Code of Ethics.

The Company will provide, without charge, a copy of its Annual Report on Form 10-K to any shareholder by mail. Requests should be sent to:

ConnectOne Bancorp, Inc.
Attention: Investor Relations
301 Sylvan Avenue
Englewood Cliffs, New Jersey 07632

Narrative Description of the Business

ConnectOne Bancorp, Inc. is a modern financial services company with $9.880 billion in assets. It operates primarily through its bank subsidiary, ConnectOne Bank.

ConnectOne Bank is a high-performing commercial bank offering a full suite of deposit and loan products and services to the general public, primarily to small and mid-sized businesses, local professionals and individuals residing, working and conducting business in the New York Metropolitan area and the South Florida market served by our West Palm Beach office. The Bank's continuous investments in technology coupled with top talent allow ConnectOne to operate a "branch-lite" model, making for a highly efficient operating environment.

BoeFly, a wholly owned subsidiary of ConnectOne Bank, is a fintech marketplace that connects borrowers in the franchise space with funding solutions through a network of partner banks, including the Bank.

Our Market Area

ConnectOne Bank's offices are located primarily in the New York metro market and span New Jersey, New York City, Long Island, and the Hudson Valley, including Rockland, Orange, and Westchester counties. Through high tech tools and services, the Bank is able to extend its reach by supporting clients as they move into new markets, such as South Florida where we opened an office in West Palm Beach in August 2022. Our market area includes some of the most robust markets in the United States. The Bank's goal is to continue to expand and do business to support our clients as they grow. Advances in technology have created new delivery channels that allow us to service clients and maintain business relationships with a reduced-branch model, establishing regional offices that serve as business hubs. The Bank's experience has shown that the key to client acquisition and retention is attracting quality business relationship officers who will frequently go to the client, rather than having the client come to us.

BoeFly operates out of its main offices in Boston, Massachusetts and New York, and has a nationwide presence through its digital business marketplace.

Products and Services

We derive a majority of our revenue from net interest income (i.e., the difference between the interest we receive on our loans and investment securities and the interest we pay on deposits and borrowings). We offer a broad range of deposit and loan products. In addition, to attract the business of consumer and business clients, we provide an extensive array of other banking services. Products and services provided include personal and business checking accounts, money market accounts, time and savings accounts, credit cards, wire transfers, safe deposit boxes, access to automated teller services and telephone, internet and mobile banking. We offer retirement accounts to consumers and cash management services to business clients that include TreasuryDirect, Automated Clearing House origination, Remote Deposit Capture and digital invoicing.

Noninterest bearing demand deposit products include “Totally Free Checking” and “Simply Better Checking” for consumer clients and “Small Business Checking” and “Analysis Checking” for commercial clients. Interest-bearing checking accounts require minimum balances for both consumer and commercial clients and include “Consumer Interest Checking” and “Business Interest Checking”. Money market accounts consist of products that provide a market rate of interest to depositors. Our savings accounts offer paper and/or electronic statements. Time deposits ("TD") are for non-retirement and IRA accounts, generally with initial maturities ranging from 31 days to 60 months, and brokered TDs, which we use for asset liability management purposes and to supplement other sources of funding. Many of our deposit products can be accessed through both our branches and online to provide ease of access to our clients and communities. CDARS/ICS reciprocal deposits are offered based on the Bank’s participation in the IntraFi Network LLC ("the network"), formerly known as Promontory Interfinancial Network. Clients, who are Federal Deposit Insurance Corporation (“FDIC”) insurance sensitive, are able to place large dollar deposits with the Company and the Company utilizes CDARS to place those funds into certificates of deposit issued by other banks in the Network. This occurs in increments of less than the FDIC insurance limits so that both the principal and interest are eligible for FDIC insurance coverage in amounts larger than the insured dollar amount. Unless certain conditions are satisfied, the FDIC considers these funds as brokered deposits.

Deposits serve as the primary source of funding for our interest-earning assets, but also generate noninterest revenue through insufficient funds fees, stop payment fees, wire transfer fees, safe deposit rental fees, debit card income, including foreign ATM fees and credit and debit card interchange, and other miscellaneous fees. In addition, the Bank generates additional noninterest revenue associated with residential, commercial and Small Business Administration (“SBA”) loan originations, sales, loan servicing, late fees and merchant services.

We offer consumer and commercial business loans on a secured and unsecured basis, revolving lines of credit, commercial mortgage loans, and residential mortgages on both primary and secondary residences, home equity loans, bridge loans and other personal purpose loans. However, we are not and have not historically been a participant in the sub-prime lending market.

Commercial loans are loans made for business purposes and are primarily secured by collateral such as business assets including accounts receivable, inventory and equipment. These facilities can also be secured by cash balances with the Bank, marketable securities held by or under the control of the Bank, and commercial and residential real estate.

Commercial construction loans are loans to finance the construction of commercial or residential properties secured by first liens on such properties. Commercial real estate loans include loans secured by first liens on completed commercial properties, including multifamily properties, to purchase or refinance such properties, as well as land loans. Residential mortgages include loans secured by first liens on 1-4 family, 1-4 family investment properties, condominium and cooperative residential real estate and are generally made to existing clients of the Bank to purchase or refinance primary and secondary residences. Home equity loans and lines of credit include loans secured by first or second liens on residential real estate for primary or secondary residences. Consumer loans are made to individuals who qualify for auto loans, cash reserve, credit cards and installment loans.

The Board of Directors has approved a credit policy granting designated lending authorities to the Management Credit Committee and specific officers of the Bank. The Management Credit Committee is comprised of six members of senior management, including the Bank President, Chief Credit Officer, Chief Lending Officer, two Senior Credit Officers and one Managing Director. The officers are comprised of the Chief Executive Officer, Bank President, Chief Credit Officer, Chief Lending Officer, Senior Credit Officers, Managing Directors, Team Leaders and the Consumer Loan Officers. All loan approvals require the signatures of a minimum of two officers. The Management Credit Committee (Bank President, Chief Credit Officer, Chief Lending Officer, two Senior Credit Officers and one Managing Director) can approve loans up to $80 million in aggregate loan exposure with no policy exceptions. Furthermore, the Management Credit Committee has authority to approve unsecured loan amounts without policy exceptions up to $40 million. The Senior Lending Group (Chief Executive Officer, President, Chief Credit Officer and Chief Lending Officer) can approve loans up to $35 million in aggregate loan exposure with no policy exceptions and up to $30 million with policy exceptions. Furthermore, the Senior Lending Group has authority to approve unsecured loan amounts without policy exceptions up to $10 million and up to $5 million with an exception. Loans to insiders must be approved by the entire Board of Directors.

The Bank's lending policies generally provide for lending within our primary trade area. However, the Bank will make loans to people outside of our primary trade area when we deem it prudent to do so. To promote a high degree of asset quality, the Bank focuses primarily upon offering secured loans. However, the Bank does make short-term unsecured loans to borrowers with higher net worth and income profiles. The Bank generally requires loan clients to maintain deposit accounts with the Bank. In addition, the Bank generally provides a minimum required rate of interest in its variable rate loans. The Bank's legal lending limit to any one borrower is 15% of the Bank's capital base (defined as tangible equity plus the allowance for credit losses) for most loans ($172.0 million) and 25% of the capital base for loans secured by readily marketable collateral ($286.7 million). As of December 31, 2024, the Bank's largest committed relationship (to several affiliated borrowers) was $212.7 million, and the single largest loan outstanding was $64.0 million.

Competition

The banking business is highly competitive. We face substantial immediate competition and potential future competition both in attracting deposits and in originating loans. We compete with numerous commercial banks, savings banks and savings and loan associations, many of which have assets, capital and lending limits larger than those that we have. Other competitors include money market mutual funds, mortgage bankers, insurance companies, stock brokerage firms, regulated small loan companies, credit unions and issuers of commercial paper and other securities. In addition, the banking industry in general faces competition for deposit, credit and money management products from non-bank technology firms, or fintech companies, which may offer products independently or through relationships with insured depository institutions.

Our larger competitors have greater financial resources to finance wide-ranging advertising campaigns. Additionally, we endeavor to compete for business by providing high quality personal service to clients, client access to our decision-makers and competitive interest rates and fees. We seek to hire and retain quality employees who desire greater responsibility than may be available working for a larger employer.

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Human Capital

The Company strives to be an employer of choice by creating a working environment that fosters excellence, creativity and professional growth. We strive to challenge our employees to be the best they can be and to provide them with the tools and training they need to help fulfill their critical service mandate. We endeavor to build a diverse team of financial experts and relationship specialists who understand the demands of a successful business and are prepared to meet them.

Demographics: As of December 31, 2024, we had 489 full-time employees and 4 part-time and temporary employees. The employees are not represented by a collective bargaining unit.

Education: We encourage and support the growth and development of our employees and, wherever possible, seek to fill positions by promotion and transfer from within the organization. We have formalized our commitment to training, education and mentoring through our ConnectOne University program.

ConnectOne University houses our training, leadership development, continuing education and mentorship programs.
Through ConnectOne University, employees:

- Receive and complete required job training related to their position with the Company, such as compliance and ethics training and position specific training. Classes include an ABA approved curriculum as well as other third party and Company proprietary courses;
- May take classes to attain job specific certifications to help with career development;
- May take continuing education classes related to other positions and operations at the Company;
- May take business related continuing education classes at partner community colleges and other institutions through a New Jersey State grant program;
- May participate in career mentoring programs in which employees meet with senior officers of the Company to discuss career development; and
- May participate in a tuition reimbursement program under which the Company will reimburse employees for up to $5,250 in tuition expenses related to approved business-related course work at any school.

During 2024, ConnectOne University continued to drive professional development and growth across the organization. Key achievements included delivering comprehensive job skills and cybersecurity training, advancing leadership skills for 125 managers, and sponsoring professional certifications and graduate-level education for employees through programs like the ABA Stonier Graduate School of Banking and the ABA Commercial Lending School. Additionally, approximately 300 employees participated in culture programs, reinforcing our shared values, while the Company supported advanced education through tuition reimbursement for eligible coursework. These efforts reflect our commitment to fostering a culture of continuous learning and development.

Health and Safety: The safety, health and well-being of our employees is a top priority. The Bank has established wellness programs that include a Preventative Care Incentive Program, flu shot vaccination time-off, as well as health programs & service discounts.

Benefits & Employee Retention: We offer a wide variety of benefits and incentive rewards to attract, engage, retain and motivate talent. Included are competitive wages, performance based-bonuses and incentive based-compensation, stock awards, 401(k) Plan with competitive match, medical/dental/vision plans, insurance benefits, voluntary benefits, commuter benefits, health savings accounts, flexible spending accounts, tuition reimbursement, paid time-off, disability, sick/family leave and in addition, we have employee appreciation events that include team building events, community events, softball games, food truck days, and annual “Amazing” award celebrations. Employee retention helps us to operate efficiently and is key to our ability to compete against larger competitors.

The Bank also has Employee Assistance Programs, which provide work/life assistance and resources for all full-time employees. All services are provided confidentially and at no additional cost. The Bank encourages a work/life balance by offering hybrid scheduling that combines working remotely, as well as the ability to work out of our offices.

Promotions: We focus on promoting employees from within and leveraging their knowledge of the organization as we continue to grow our Bank. In 2024, 71 employees were promoted into new roles.

We continuously assess any skill gaps and are gearing learning for the banking positions of the future.

SUPERVISION AND REGULATION

The banking industry is highly regulated. Statutory and regulatory controls increase a bank holding company's cost of doing business and limit the options of its management to deploy assets and maximize income. The following discussion is not intended to be a complete list of all the activities regulated by banking laws or of the impact of such laws and regulations on the Company or the Bank. It is intended only to briefly summarize some material provisions.

Bank Holding Company Regulation

The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the "Holding Company Act"). As a bank holding company, the Company is supervised by the Board of Governors of the Federal Reserve System ("FRB") and is required to file reports with the FRB and provide such additional information as the FRB may require. The Company and its subsidiaries are subject to examination by the FRB.

The Holding Company Act prohibits the Company, with certain exceptions, from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to subsidiary banks, except that it may, upon application, engage in, and may own shares of companies engaged in, certain businesses found by the FRB to be so closely related to banking "as to be a proper incident thereto." The Holding Company Act requires prior approval by the FRB of the acquisition by the Company of more than 5% of the voting stock of any other bank. Satisfactory capital ratios and Community Reinvestment Act ratings and anti-money laundering policies are generally prerequisites to obtaining federal regulatory approval to make acquisitions. The policy of the FRB, embodied in FRB regulations, provides that a bank holding company is expected to act as a source of financial and managerial strength to its subsidiary bank(s) and to commit resources to support the subsidiary bank(s) in circumstances in which it might not do so absent that policy.

As a New Jersey-charted commercial bank and an FDIC-insured institution, acquisitions by the Bank require approval of the New Jersey Department of Banking and Insurance (the "Banking Department") and the FDIC, an agency of the federal government. The Holding Company Act does not place territorial restrictions on the activities of non-bank subsidiaries of bank holding companies. The Gramm-Leach-Bliley Act, discussed below, allows the Company to expand into insurance, securities, merchant banking activities, and other activities that are financial in nature, in certain circumstances.

Regulation of Bank Subsidiary

The operations of the Bank are subject to requirements and restrictions under federal law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted, and limitations on the types of investments that may be made and the types of services which may be offered. Various consumer laws and regulations also affect the operations of the Bank. There are various legal limitations, including Sections 23A and 23B of the Federal Reserve Act, which govern the extent to which a bank subsidiary may finance or otherwise supply funds to its holding company or its holding company's non-bank subsidiaries and affiliates. Under federal law, a bank subsidiary may only make loans or extensions of credit to, or invest in the securities of, its parent or the non-bank subsidiaries of its parent (other than direct subsidiaries of such bank which are not financial subsidiaries) or to any affiliate, or take their securities as collateral for loans to any borrower, upon satisfaction of various regulatory criteria, including specific collateral loan to value requirements.

The Dodd-Frank Act

The Dodd-Frank Act, adopted in 2010, will continue to have a broad impact on the financial services industry as a result of the significant regulatory and compliance changes made by the Dodd-Frank Act, including, among other things, (i) enhanced resolution authority over troubled and failing banks and their holding companies; (ii) increased capital and liquidity requirements; (iii) increased regulatory examination fees; (iv) changes to assessments to be paid to the FDIC for federal deposit insurance; and (v) numerous other provisions designed to improve supervision and oversight of, and strengthening safety and soundness for, the financial services sector. Additionally, the Dodd-Frank Act establishes a new framework for systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, the FRB, the Office of the Comptroller of the Currency and the FDIC. A summary of certain provisions of the Dodd-Frank Act is set forth below:

- *Minimum Capital Requirements.* The Dodd-Frank Act required capital rules and the application of the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies. In addition to making bank holding companies subject to the same capital requirements as their bank subsidiaries, these provisions (often referred to as the Collins Amendment to the Dodd-Frank Act) were also intended to eliminate or significantly reduce the use of hybrid capital instruments, especially trust preferred securities, as regulatory capital. The Dodd-Frank Act also requires banking regulators to seek to make capital standards countercyclical, so that the required levels of capital increase in times of economic expansion and decrease in times of economic contraction. See "Capital Adequacy Guidelines" for a description of capital requirements adopted by U.S. federal banking regulators in 2013 and the treatment of trust preferred securities under such rules.

- *The Consumer Financial Protection Bureau ("Bureau").* The Dodd-Frank Act created the Bureau. The Bureau is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The Bureau has rulemaking authority over many of the statutes governing products and services offered to bank consumers. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are more stringent than those regulations promulgated by the Bureau and state attorneys general are permitted to enforce consumer protection rules adopted by the Bureau against state-chartered institutions. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Institutions with $10 billion or less in assets will continue to be examined for compliance with the consumer laws by their primary bank regulators. Although the Bank currently has less than $10 billion in assets and so is not subject to examination by the Bureau, the Bank will exceed $10 billion in assets upon consummation of its merger with The First National Bank of Long Island, and even without the merger it is likely that the Bank will exceed $10 billion in total assets in the foreseeable future, and so will become subject to examination by the Bureau.

- *Deposit Insurance.* The Dodd-Frank Act made permanent the $250,000 deposit insurance limit for insured deposits. Amendments to the Federal Deposit Insurance Act also revised the assessment base against which an insured depository institution's deposit insurance premium paid to the Deposit Insurance Fund ("DIF") will be calculated. Under the amendments, the assessment base is no longer based on the institution's deposit base, but rather its average consolidated total assets less its average tangible equity during the assessment period. Additionally, the Dodd-Frank Act makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. The FDIC has set the designated reserve ratio at 2.0%.

- *Shareholder Votes*. The Dodd-Frank Act requires publicly traded companies like the Company to give shareholders a non-binding vote on executive compensation and so-called "golden parachute" payments in certain circumstances. The Dodd-Frank Act also authorizes the SEC to promulgate rules that would allow shareholders to nominate their own candidates using a company's proxy materials, which the SEC has adopted.

Although a significant number of the rules and regulations mandated by the Dodd-Frank Act have been finalized, many of the requirements called for have yet to be fully implemented and will likely be subject to implementing regulations over the course of several years. In addition, some of the requirements of the Dodd-Frank Act that were implemented have already been revised. See “Economic Growth, Regulatory Relief and Consumer Protection Act” below. Given the uncertainty associated with the way the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies, the full extent of the impact such requirements will have on financial institutions’ operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage ratio requirements (which, in turn, could require the Company and the Bank to seek additional capital) or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements.

Economic Growth, Regulatory Relief and Consumer Protection Act.

The Economic Growth, Regulatory Relief and Consumer Protection Act (“EGRRCPA”), adopted in May of 2018, was intended to provide regulatory relief to midsized and regional banks. While many of its provisions are aimed at larger institutions, such as raising the threshold to be considered a systemically important financial institution to $250 billion in assets from $50 billion in assets, many of its provisions will provide regulatory relief to those institutions with $10 billion or more in assets, as well as to those institutions with less than $10 billion in assets. Among other things, the EGRRCPA increased the asset threshold for depository institutions and holding companies to perform stress tests required under Dodd Frank from $10 billion to $250 billion, exempted institutions with less than $10 billion in consolidated assets from the Volcker Rule, raised the threshold for the requirement that publicly traded holding companies have a risk committee from $10 billion in consolidated assets to $50 billion in consolidated assets, directed the federal banking agencies to adopt a “community bank leverage ratio”, applicable to institutions and holding companies with less than $10 billion in assets, and to provide that compliance with the new ratio would be deemed compliance with all capital requirements applicable to the institution or holding company (See “Capital Adequacy Guidelines”), and provided that residential mortgage loans meeting certain criteria and originated by institutions with less than $10 billion in total assets will be deemed to meet the “ability to repay rule” under the Truth in Lending Act. In addition, the EGRRCPA limited the definition of loans that would be subject to the higher risk weighting applicable to High Volatility Commercial Real Estate.

Certain of the regulations needed to implement the EGRRCPA have yet to be promulgated by the federal banking agencies, and others have not been fully implemented or enforced and so it is still uncertain how full implementation of the EGRRCPA will affect the Company and the Bank.

Regulation W

Regulation W codifies prior regulations under Sections 23A and 23B of the Federal Reserve Act and interpretative guidance with respect to affiliate transactions. Affiliates of a bank include, among other entities, the bank’s holding company and companies that are under common control with the bank. The Company is considered to be an affiliate of the Bank. In general, subject to certain specified exemptions, a bank or its subsidiaries are limited in their ability to engage in “covered transactions” with affiliates:

- to an amount equal to 10% of the bank’s capital and surplus, in the case of covered transactions with any one affiliate; and
- to an amount equal to 20% of the bank’s capital and surplus, in the case of covered transactions with all affiliates.

In addition, a bank and its subsidiaries may engage in covered transactions and other specified transactions only on terms and under circumstances that are substantially the same, or at least as favorable to the bank or its subsidiary, as those prevailing at the time for comparable transactions with nonaffiliated companies. A “covered transaction” includes:

- a loan or extension of credit to an affiliate;
- a purchase of, or an investment in, securities issued by an affiliate;
- a purchase of assets from an affiliate, with some exceptions;
- the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any party; and
- the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

Further, under Regulation W:

- a bank and its subsidiaries may not purchase a low-quality asset from an affiliate;
- covered transactions and other specified transactions between a bank or its subsidiaries and an affiliate must be on terms and conditions that are consistent with safe and sound banking practices; and
- with some exceptions, each loan or extension of credit by a bank to an affiliate must be secured by certain types of collateral with a market value ranging from 100% to 130% of the loan value, depending on the type of collateral.

Regulation W generally excludes all non-bank and non-savings association subsidiaries of banks which are not "financial subsidiaries" from treatment as affiliates, except to the extent that the FRB decides to treat these subsidiaries as affiliates.

FDICIA

Pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), each federal banking agency has promulgated regulations, specifying the levels at which an insured depository institution such as the Bank would be considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized," and to take certain mandatory and discretionary supervisory actions based on the capital level of the institution. To qualify to engage in financial activities under the Gramm-Leach-Bliley Act, all depository institutions must be "well capitalized."

The FDIC's regulations implementing these provisions of FDICIA provide that an institution will be classified as "well capitalized" if it (i) has a total risk-based capital ratio of at least 10.0%, (ii) has a Tier 1 risk-based capital ratio of at least 8.0%, (iii) has a Tier 1 leverage ratio of at least 5.0%, (iv) has a common equity Tier 1 capital ratio of at least 6.5%, and (v) meets certain other requirements. An institution will be classified as "adequately capitalized" if it (i) has a total risk-based capital ratio of at least 8.0%, (ii) has a Tier 1 risk-based capital ratio of at least 6.0%, (iii) has a Tier 1 leverage ratio of at least 4.0%, has a common equity Tier 1 capital ratio of at least 4.5%, and (v) does not meet the definition of "well capitalized." An institution will be classified as "undercapitalized" if it (i) has a total risk-based capital ratio of less than 8.0%, (ii) has a Tier 1 risk-based capital ratio of less than 6.0%, (iii) has a Tier 1 leverage ratio of less than 4.0%, or (iv) has a common equity Tier 1 capital ratio of less than 4.5%. An institution will be classified as "significantly undercapitalized" if it (i) has a total risk-based capital ratio of less than 6.0%, (ii) has a Tier 1 risk-based capital ratio of less than 4.0%, (iii) has a Tier 1 leverage ratio of less than 3.0%, or (iv) has a common equity Tier 1 capital ratio of less 3.0%. An institution will be classified as "critically undercapitalized" if it has a tangible equity to total assets ratio that is equal to or less than 2.0%. An insured depository institution may be deemed to be in a lower capitalization category if it receives an unsatisfactory examination rating.

In addition, significant provisions of FDICIA required federal banking regulators to impose standards in a number of other important areas to assure bank safety and soundness, including internal controls, information systems and internal audit systems, credit underwriting, asset growth, compensation, loan documentation and interest rate exposure.

Capital Adequacy Guidelines

In December 2010 and January 2011, the Basel Committee on Banking Supervision (the “Basel Committee”) published the final texts of reforms on capital and liquidity generally referred to as “Basel III.” In July 2013, the FRB, the FDIC and the Comptroller of the Currency adopted final rules (the “New Rules”), which implement certain provisions of Basel III and the Dodd-Frank Act.

Under the New Rules, the Company and the Bank are required to maintain the following minimum capital ratios, expressed as a percentage of risk-weighted assets:

- Common Equity Tier 1 Capital Ratio of 4.5% (the “CET1”);
- Tier 1 Capital Ratio (CET1 capital plus “Additional Tier 1 capital”) of 6.0%; and
- Total Capital Ratio (Tier 1 capital plus Tier 2 capital) of 8.0%.

In addition, the Company and the Bank will be subject to a leverage ratio of 4% (calculated as Tier 1 capital to average consolidated assets as reported on the consolidated financial statements).

The New Rules also require a “capital conservation buffer.” Under this provision, the Company and the Bank are required to maintain a 2.5% capital conservation buffer, which is composed entirely of CET1, on top of the minimum risk-weighted asset ratios described above, resulting in the following minimum capital ratios:

- CET1 of 7%;
- Tier 1 Capital Ratio of 8.5%; and
- Total Capital Ratio of 10.5%.

The purpose of the capital conservation buffer is to absorb losses during periods of economic stress. Banking institutions with a CET1, Tier 1 Capital Ratio and Total Capital Ratio above the minimum set forth above but below the capital conservation buffer will face constraints on their ability to pay dividends, repurchase equity and pay discretionary bonuses to executive officers, based on the amount of the shortfall.

The New Rules provide for several deductions from and adjustments to CET1. For example, mortgage servicing rights, deferred tax assets dependent upon future taxable income and significant investments in common equity issued by nonconsolidated financial entities must be deducted from CET1 to the extent that any one of those categories exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1.

Under the New Rules, banking organizations such as the Company and the Bank may make a one-time permanent election regarding the treatment of accumulated other comprehensive income items in determining regulatory capital ratios. Effective as of January 1, 2015, the Company and the Bank elected to exclude accumulated other comprehensive income items for purposes of determining regulatory capital.

While the New Rules generally require the phase-out of non-qualifying capital instruments such as trust preferred securities and cumulative perpetual preferred stock, holding companies with less than $15 billion in total consolidated assets as of December 31, 2009, such as the Company, may permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in Additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The New Rules prescribe a standardized approach for calculating risk-weighted assets. Depending on the nature of the assets, the risk categories generally range from 0% for U.S. Government and agency securities, to 600% for certain equity exposures, and result in higher risk weights for a variety of asset categories. In addition, the New Rules provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increase the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

Consistent with the Dodd-Frank Act, the New Rules adopt alternatives to credit ratings for calculating the risk-weighting for certain assets.

In December 2018, the OCC, the Board of Governors of the Federal Reserve System, and the FDIC approved a final rule to address changes to credit loss accounting under GAAP, including banking organizations' implementation of ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("CECL"). The Company adopted the CECL standard effective January 1, 2021.

On September 17, 2019, the federal banking agencies issued a final rule providing simplified capital requirements for certain community banking organizations (banks and holding companies) with less than $10 billion in total consolidated assets, implementing provisions of EGRRCPA discussed above. Under the rule, a qualifying community banking organization would be eligible to elect the community bank leverage ratio framework or continue to measure capital under the existing Basel III requirements set forth in the New Rules. The new rule took effect January 1, 2020, and qualifying community banking organizations could elect to opt into the new community bank leverage ratio ("CBLR") in their call report for the first quarter of 2020.

A qualifying community banking organization ("QCBO") is defined as a bank, a savings association, a bank holding company or a savings and loan holding company with:

- a leverage capital ratio of greater than 9.0%;
- total consolidated assets of less than $10.0 billion;
- total off-balance sheet exposures (excluding derivatives other than credit derivatives and unconditionally cancelable commitments) of 25% or less of total consolidated assets; and
- total trading assets and trading liabilities of 5% or less of total consolidated assets.

A QCBO opting into the CBLR must maintain a CBLR of 9.0%, subject to a two-quarter grace period to come back into compliance, provided that the QCBO maintains a leverage ratio of more than 8.0% during the grace period. A QCBO failing to satisfy these requirements must comply with the Basel III requirements as implemented by the New Rules. The numerator of the CBLR is Tier 1 capital, as calculated under present rules. The denominator of the CBLR is the QCBO's average assets, calculated in accordance with the QCBO's Call Report instructions and less assets deducted from Tier 1 capital.

The Company and the Bank have elected not to opt into the CBLR.

Federal Deposit Insurance and Premiums

The deposits of the Bank are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain the DIF.

The assessment base for deposit insurance premiums is an institution's average consolidated total assets minus average tangible equity. In connection with adopting this assessment base calculation, the FDIC lowered total base assessment rates to between 2.5 and 9 basis points for banks in the lowest risk category, and 30 to 45 basis points for banks in the highest risk category. The Company paid $7.2 million and $5.7 million in total FDIC assessments in 2024 and 2023, respectively. The increase in 2024 was attributable to additional premiums paid in 2024 related to the FDIC special assessment.

The FDIC has a designated reserve ratio (DRR), that is, the ratio of the DIF to insured deposits, of 1.35%. The Dodd-Frank Act requires the FDIC to offset the effect on institutions with assets less than $10 billion of the increase in the statutory minimum DRR to 1.35% from the former statutory minimum of 1.15%.

The FDIC Board of Directors approved a final rule to implement a special assessment to recover the loss to the Deposit Insurance Fund (DIF) associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank. The Federal Deposit Insurance Act (FDI Act) requires the FDIC to take this action in connection with the systemic risk determination announced on March 12, 2023.

The assessment base for the special assessment is equal to an insured depository institution's (IDI's) estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first $5 billion, applicable either to the IDI, if an IDI is not a subsidiary of a holding company, or at the banking organization level, to the extent that an IDI is part of a holding company with one or more subsidiary IDIs. The special assessment will be collected at an annual rate of approximately 13.4 basis points for an anticipated total of eight quarterly assessment periods. The special assessment will be collected beginning with the first quarterly assessment period of 2024 (i.e., January 1 through March 31, 2024) with an invoice payment date of June 28, 2024. The Company accrued $2.1 million as of December 31, 2023 related to this special assessment.

Because the estimated loss pursuant to the systemic risk determination will be periodically adjusted, the FDIC could:

- Cease collection early, if it has collected enough to recover actual or estimated losses;
- Extend the special assessment collection period one or more quarters beyond the initial eight-quarter collection period, if actual or estimated losses exceed the amounts collected; and
- Impose a final shortfall special assessment on a one-time basis after the receiverships for Silicon Valley Bank and Signature Bank terminate, if actual losses exceed the amounts collected.

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (the “Modernization Act”):

- allows bank holding companies meeting management, capital, and Community Reinvestment Act standards to engage in a substantially broader range of non-banking activities than previously was permissible, including insurance underwriting and making merchant banking investments in commercial and financial companies, if the bank holding company elects to become a financial holding company. Thereafter it may engage in certain financial activities without further approvals;

- allows insurers and other financial services companies to acquire banks;

- removes various restrictions that previously applied to bank holding company ownership of securities firms and mutual fund advisory companies; and

- establishes the overall regulatory structure applicable to bank holding companies that also engage in insurance and securities operations.

The Modernization Act also modified other financial laws, including laws related to financial privacy and community reinvestment. The Company has elected not to become a financial holding company.

Community Reinvestment Act

Under the Community Reinvestment Act (“CRA”), as implemented by FDIC regulations, an insured depository institution has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution’s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the FDIC, in connection with its examination of every bank, to assess the bank’s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such bank. Regulations implementing the CRA were substantially revised in 2023 and the changes will begin to become effective over the next several years. The Company is studying the revisions to determine the impact on its operations, which is uncertain at this time.

USA PATRIOT Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “USA PATRIOT Act”) gives the federal government powers to address terrorist threats through domestic security measures, surveillance powers, information sharing, and anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, the USA PATRIOT Act encourages information-sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of the USA PATRIOT Act impose affirmative obligations on a broad range of financial institutions, including banks, thrift institutions, brokers, dealers, credit unions, money transfer agents and parties registered under the Commodity Exchange Act.

Among other requirements, the USA PATRIOT Act imposes the following requirements with respect to financial institutions:

- All financial institutions must establish anti-money laundering programs that include, at a minimum: (i) internal policies, procedures, and controls; (ii) specific designation of an anti-money laundering compliance officer; (iii) ongoing employee training programs; and (iv) an independent audit function to test the anti-money laundering program.

- The Secretary of the Department of Treasury, in conjunction with other bank regulators, is authorized to issue regulations that provide for minimum standards with respect to client identification at the time new accounts are opened.

- Financial institutions that establish, maintain, administer, or manage private banking accounts or correspondent accounts in the United States for non-United States persons or their representatives (including foreign individuals visiting the United States) are required to establish appropriate, specific and, where necessary, enhanced due diligence policies, procedures, and controls designed to detect and report money laundering.

- Financial institutions are prohibited from establishing, maintaining, administering or managing correspondent accounts for foreign shell banks (foreign banks that do not have a physical presence in any country), and will be subject to certain record keeping obligations with respect to correspondent accounts of foreign banks.

- Bank regulators are directed to consider a holding company’s effectiveness in combating money laundering when ruling on Federal Reserve Act and Bank Merger Act applications.

The United States Treasury Department has issued a number of implementing regulations which address various requirements of the USA PATRIOT Act and are applicable to financial institutions such as the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their clients.

Loans to Related Parties

The Company's authority to extend credit to its directors and executive officers, as well as to entities controlled by such persons, is currently governed by the requirements of the Sarbanes-Oxley Act of 2002 and Regulation O promulgated by the FRB. Among other things, these provisions require that extensions of credit to insiders (i) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features and (ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital. In addition, the Bank's Board of Directors must approve all extensions of credit to insiders.

Dividend Restrictions

The Parent Corporation is a legal entity separate and distinct from the Bank. Virtually all the revenue of the Parent Corporation available for payment of dividends on its capital stock will result from the amounts paid to the Parent Corporation by the Bank. All such dividends are subject to the laws of the State of New Jersey, the Banking Act, the Federal Deposit Insurance Act ("FDIA") and the regulations of the Banking Department and of the FDIC.

Under the New Jersey Corporation Act, the Parent Corporation is permitted to pay cash dividends provided that the payment does not leave us insolvent. As a bank holding company under the BHCA, we would be prohibited from paying cash dividends if we are not in compliance with any capital requirements applicable to us, including our required capital conservation buffer. However, as a practical matter, for so long as our major operations consist of ownership of the Bank, the Bank will remain our source of dividend payments, and our ability to pay dividends will be subject to any restrictions applicable to the Bank.

The Parent Corporation has a series of outstanding perpetual preferred stock, our 5.25% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series A. The rights of the preferred stockholders to receive dividends are senior to the rights of our common holders, although the preferred dividend rights are non-cumulative. Therefore, unless all dividends due on our outstanding preferred stock have been declared and paid for the most recent dividend period, we may not pay a dividend on our common stock or repurchase shares of our common stock.

Under the New Jersey Banking Act of 1948, as amended, dividends may be paid by the Bank only if, after the payment of the dividend, the capital stock of the Bank will be unimpaired and either the Bank will have a surplus of not less than 50% of its capital stock or the payment of the dividend will not reduce the Bank's surplus. The payment of dividends is also dependent upon the Bank's ability to maintain adequate capital ratios pursuant to applicable regulatory requirements.

The FRB has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the FRB's policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. FRB regulations also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. Under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized, and under regulations implementing the Basel III accord, a bank holding company's ability to pay cash dividends may be impaired if it fails to satisfy certain capital buffer requirements. These regulatory policies could affect the ability of the Company to pay dividends or otherwise engage in capital distributions.

Item 1A. Risk Factors

An investment in our securities involves risks. Stockholders should carefully consider the risks described below, together with all other information contained in this Annual Report on Form 10-K, before making any purchase or sale decisions regarding our securities. If any of the following risks actually occur, our business, financial condition or operating results may be harmed. In that case, the trading price of our securities may decline, and stockholders may lose part or all of their investment in our securities.

Risks Applicable to Our Business:

Our growth-oriented business strategy could be adversely affected if we are not able to attract and retain skilled employees or if we lose the services of our senior management team.

We may not be able to successfully manage our business as a result of the strain on our management and operations that may result from growth. Our ability to manage growth will depend upon our ability to continue to attract, hire and retain skilled employees. The loss of members of our senior management team, including those officers named in the summary compensation table of our proxy statement, could have a material adverse effect on our results or operations and ability to execute our strategic goals. Our success will also depend on the ability of our officers and key employees to continue to implement and improve our operational and other systems, to manage multiple, concurrent client relationships and to hire, train and manage our employees.

We may need to raise additional capital to execute our growth-oriented business strategy.

In order to continue our growth, we will be required to maintain our regulatory capital ratios at levels higher than the minimum ratios set by our regulators. We can offer you no assurances that we will be able to raise capital in the future, or that the terms of any such capital will be beneficial to our existing security holders. In the event we are unable to raise capital in the future, we may not be able to continue our growth strategy.

We have a significant concentration in commercial real estate loans.

Our loan portfolio is made up largely of commercial real estate loans. These types of loans generally expose a lender to a higher degree of credit risk of non-payment and loss than do residential mortgage loans because of several factors, including dependence on the successful operation of a business or a project for repayment, and loan terms with a balloon payment rather than full amortization over the loan term. 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. Underwriting and portfolio management activities cannot completely eliminate all risks related to these loans. Any significant failure to pay on time by our clients or a significant default by our clients would materially and adversely affect us.

As of December 31, 2024, we had $6.3 billion of commercial real estate loans (nonowner-occupied, owner-occupied, multifamily and land), including construction loans, which represented 76.2% of loans receivable. Concentrations in commercial real estate are monitored by regulatory agencies and subject to scrutiny. Guidance from these regulatory agencies includes all commercial real estate loans, including commercial construction loans, in calculating our commercial real estate concentration, but excludes owner-occupied commercial real estate loans. Based on this regulatory definition, our commercial real estate loans represented 435% of the Bank’s Tier 1 capital plus the allowance for credit losses on loans.

Loans secured by owner-occupied real estate are reliant on the operating businesses to provide cash flow to meet debt service obligations, and as a result may be more susceptible to the general impact on the economic environment affecting those operating companies as well as the real estate.

The impact of the development of remote work or hybrid work models on the metropolitan New York area commercial real estate market is uncertain, causing volatility in rents in certain core urban markets. Many other factors, including the exchange rate for the U.S. dollar, potential international trade tariffs, inflation and changes in federal tax laws affecting the deductibility of state and local taxes and mortgage interest could negatively impact our local economy and real estate market. Accordingly, it may be more difficult for commercial real estate borrowers to repay their loans in a timely manner, as commercial real estate borrowers’ ability to repay their loans frequently depends on the successful development and leasing of their properties. The deterioration of one or a few of our commercial real estate loans could cause a material increase in our level of nonperforming loans, which would result in a loss of revenue from these loans and could result in an increase in the provision for credit losses and/or an increase in charge-offs, all of which could have a material adverse impact on our net income. We also may incur losses on commercial real estate loans due to declines in occupancy rates and rental rates, which may decrease property values and may decrease the likelihood that a borrower may find permanent financing alternatives. Any weakening of the commercial real estate market may increase the likelihood of default on these loans, which could negatively impact our loan portfolio’s performance and asset quality. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, we could incur material losses. Any of these events could increase our costs, require management time and attention, and materially and adversely affect us.

Federal banking agencies have issued guidance regarding high concentrations of commercial real estate loans within bank loan portfolios. The guidance requires financial institutions that exceed certain levels of commercial real estate lending compared with their total capital to maintain heightened risk management practices that address the following key elements: board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending. If there is any deterioration in our commercial real estate portfolio or if our regulators conclude that we have not implemented appropriate risk management practices, it could adversely affect our business, and could result in the requirement to maintain increased capital levels. Such capital may not be available at that time and may result in our regulators requiring us to reduce our concentration on commercial real estate loans.

If we are limited in our ability to originate loans secured by commercial real estate, we may face greater risk in our loan portfolio.

If, because of our concentration of commercial real estate loans, or for any other reasons, we are limited in our ability to originate loans secured by commercial real estate, we may incur greater risk in our loan portfolio. For example, we are and may continue to seek to further increase our growth rate in commercial and industrial loans, including both secured and unsecured commercial and industrial loans. Unsecured loans generally involve a higher degree of risk of loss than do secured loans because, without collateral, repayment is wholly dependent upon the success of the borrowers' businesses and personal guarantees. Secured commercial and industrial loans are generally collateralized by accounts receivable, inventory, equipment or other assets owned by the borrower and typically include a personal guaranty of the business owner. Compared to real estate, that type of collateral is more difficult to monitor, its value is harder to ascertain, it may depreciate more rapidly, and it may not be as readily saleable if repossessed. Therefore, we may be exposed to greater risk of loss on these credits.

Our New York State multifamily loan portfolio could be adversely impacted by changes in legislation or regulation which, in turn, could have a material adverse effect on our financial condition and results of operations.

We have a significant portfolio of loans secured by multi family properties located in New York. On June 14, 2019, the New York State legislature passed the New York Housing Stability and Tenant Protection Act of 2019. This legislation represents the most extensive reform of New York State's rent laws in several decades and generally limits a landlord's ability to increase rents on rent regulated apartments and makes it more difficult to convert rent regulated apartments to market rate apartments. As a result, the value of the collateral located in New York State securing the Company's multi family loans or the future net operating income of such properties could potentially become impaired which, in turn, could have a material adverse effect on our financial condition and results of operations.

A significant portion of our loan portfolio has interest rates that will reset over the next 24 months. In addition, a significant portion of our portfolio will mature over the next 24 months. Applicable increases in interest rates could harm our borrowers' abilities to repay their loans.

As of December 31, 2024, a significant portion of our loan portfolio bears interest at rates that will reset during 2025 and 2026. Generally, these loans currently bear interest at rates that are lower than current market rates, as these loans were predominately originated in 2020 and 2021, and so these borrowers will experience an increase in the interest rates applicable to their loans, which in some cases will be significant. In addition, a significant portion of our loan portfolio matures in 2025 and 2026. For loans that are maturing, borrowers will either need to refinance these loans, with the Bank or with another financial institution, or pay these loans off using other sources of funds. Borrowers refinancing loans will likely experience an increase in the interest rates applicable to their loans, which in some cases will be significant. An increase in interest rates applicable to their loans may negatively impact our borrowers, increasing their costs and potentially making it more difficult for them to continue to perform under their loan agreements. Any increase in late payments or defaults by our borrowers due to increases in the interest rates applicable to their loans could adversely affect our asset quality and results of operations.

An increase in interest rates applicable to their loans may negatively impact our borrowers, increasing their costs and potentially making it more difficult for them to continue to perform under their loan agreements. Any increase in late payments or defaults by our borrowers due to increases in the interest rates applicable to their loans could adversely affect our asset quality and results of operations.

The small-to medium-sized businesses that the Bank lends to may have fewer resources to weather a downturn in the economy, which may impair a borrower's ability to repay a loan to the Bank that could materially harm our operating results.

The Bank targets its business development and marketing strategy primarily to serve the banking and financial services needs of small-to medium-sized businesses. These small-to medium-sized businesses frequently have smaller market share than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience significant volatility in operating results. Any one or more of these factors may impair the borrower's ability to repay a loan. In addition, the success of a small-to medium-sized business often depends on the management talents and efforts of one or two persons or a small group of persons, and the death, disability or resignation of one or more of these persons could have a material adverse impact on the business and its ability to repay a loan. Economic downturns and other events that negatively impact our market areas could cause the Bank to incur substantial credit losses that could negatively affect our results of operations and financial condition.

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.

Our reputation is one of the most valuable components of our business. 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 clients and caring about our clients and associates. If our reputation is negatively affected by the actions of our employees or otherwise, our business and, therefore, our operating results may be materially adversely affected.

Anti-takeover provisions in our corporate documents and in New Jersey corporate law may make it difficult and expensive to remove current management.

Anti-takeover provisions in our corporate documents and in New Jersey law may render the removal of our existing board of directors and management more difficult. Consequently, it may be difficult and expensive for our stockholders to remove current management, even if current management is not performing adequately.

Competition in originating loans and attracting deposits may adversely affect our profitability.

We face substantial competition in originating loans. This competition currently comes principally from other banks, savings institutions, mortgage banking companies, credit unions and other lenders, including online “fintech” companies. Many of our competitors enjoy advantages, including greater financial resources and higher lending limits, a wider geographic presence, more accessible branch office locations, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. This competition could reduce our net income by decreasing the number and size of loans that we originate and the interest rates we may charge on these loans.

In attracting deposits, we face substantial competition from other insured depository institutions such as banks, savings institutions and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds. Many of our competitors enjoy advantages, including greater financial resources, more aggressive marketing campaigns, better brand recognition and more branch locations.

These competitors may offer higher interest rates than we do, which could decrease the deposits that we attract or require us to increase our rates to retain existing deposits or attract new deposits.

We have also been active in competing for New York and New Jersey governmental and municipal deposits. As of December 31, 2024, governmental and municipal deposits accounted for approximately $1.1 billion in deposits. The governor of New Jersey has proposed that the state form and own a bank in which governmental and municipal entities would deposit their excess funds, with the state-owned bank then financing small businesses and municipal projects in New Jersey. Although this proposal has not advanced, should this proposal be adopted and a state-owned bank formed, it could impede our ability to attract and retain governmental and municipal deposits.

Increased deposit competition could adversely affect our ability to generate the funds necessary for lending operations, which may increase our cost of funds.

We also compete with non-bank providers of financial services, such as brokerage firms, consumer finance companies, insurance companies and governmental organizations, which may offer more favorable terms. Some of our non-bank competitors are not subject to the same extensive regulations that govern our operations. As a result, such non-bank competitors may have advantages over us in providing certain products and services. This competition may reduce or limit our margins on banking services, reduce our market share and adversely affect our earnings and financial condition.

In addition, the banking industry in general faces competition for deposit, credit and money management products from non-bank technology firms, or fintech companies, which may offer products independently or through relationships with insured depository institutions.

External factors, many of which we cannot control, may result in liquidity concerns for us.

Liquidity risk is the potential that the Bank may be unable to meet its obligations as they come due, capitalize on growth opportunities as they arise, or pay regular dividends because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances.

Liquidity is required to fund various obligations, including credit commitments to borrowers, mortgage and other loan originations, withdrawals by depositors, repayment of borrowings, operating expenses, capital expenditures and dividend payments to shareholders.

Liquidity is derived primarily from deposit growth and retention; principal and interest payments on loans; prepayment and maturities of loans; principal and interest payments on investment securities; sale, maturity and prepayment of investment securities; net cash provided from operations, and access to other funding sources. In addition, in recent periods we have substantially increased our use of alternative deposit origination channels, such as brokered deposits, including reciprocal deposit services, and internet listing services.

Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to market factors or an adverse regulatory action against us, as well as events affecting other market participants, such as failures of other insured depository institutions. In addition, our ability to use alternate deposit origination channels could be substantially impaired if we fail to remain “well capitalized”. Our ability to borrow could also be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. Furthermore, regional and community banks generally have less access to the capital markets than do the national and super-regional banks because of their smaller size and limited analyst coverage. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, or fulfill obligations such as meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, results of operations and financial condition.

Declines in the value of our investment securities portfolio may adversely impact our results.

As of December 31, 2024, we had approximately $612.8 million in fair value of investment securities, all of which are classified as available-for-sale. We may be required to record an allowance for credit losses on our investment securities if they suffer a decline in value below their amortized cost basis that is considered credit related. Numerous factors, including lack of liquidity for re-sales of certain investment securities, absence of reliable pricing information on investment securities, adverse changes in business climate, adverse actions by regulators, or unanticipated changes in the competitive environment could have a negative effect on our investment portfolio in future periods. If an impairment charge is significant enough, it could affect the ability of the Bank to upstream dividends to the Company, which could have a material adverse effect on our liquidity and our ability to pay dividends to shareholders and could also negatively impact our regulatory capital ratios.

The Bank's ability to pay dividends is subject to regulatory limitations, which, to the extent that the Company requires such dividends in the future, may affect the Company's ability to honor its obligations and pay dividends.

As a bank holding company, the Company is a separate legal entity from the Bank and its subsidiaries and does not have significant operations. We currently depend on the Bank’s cash and liquidity to pay our operating expenses and to fund dividends to shareholders. We cannot assure you that in the future the Bank will have the capacity to pay the necessary dividends and that we will not require dividends from the Bank to satisfy our obligations. Various statutes and regulations limit the availability of dividends from the Bank. It is possible, depending upon our and the Bank’s financial condition and other factors, that bank regulators could assert that payment of dividends or other payments by the Bank are an unsafe or unsound practice. In the event that the Bank is unable to pay dividends, we may not be able to service our obligations, as they become due, or pay dividends on our capital stock. Consequently, the inability to receive dividends from the Bank could adversely affect our financial condition, results of operations, cash flows and prospects.

In addition, as described under “Capital Adequacy Guidelines,” banks and bank holding companies are required to maintain a capital conservation buffer on top of minimum risk-weighted asset ratios. The capital conservation buffer is 2.5%. Banking institutions which do not maintain capital in excess of the capital conservation buffer will face constraints on the payment of dividends, equity repurchases, and compensation based on the amount of the shortfall. Accordingly, if the Bank fails to maintain the applicable minimum capital ratios and the capital conservation buffer, distributions to the Company may be prohibited or limited.

We may not be able to pay dividends on our common stock if we have not made required dividend payments on our outstanding, noncumulative preferred stock.

We have a series of outstanding perpetual preferred stock, our 5.25% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series A. The rights of the preferred stockholders to receive dividends are senior to the rights of our common holders, although the preferred dividend rights are non-cumulative. Therefore, unless all dividends due on our outstanding preferred stock have been declared and paid for the most recent dividend period provided for under the terms of the preferred stock, we may not pay a dividend on our common stock or repurchase shares of our common stock during that period.

We may incur impairment to goodwill.

We review our goodwill at least annually. Significant negative industry or economic trends, reduced estimates of future cash flows or disruptions to our business, could indicate that goodwill might be impaired. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and to rely on projections of future operating performance. We operate in a competitive environment and projections of future operating results and cash flows may vary significantly from actual results. Additionally, if our analysis results in an impairment to our goodwill, we would be required to record a non-cash charge to earnings in our financial statements during the period in which such impairment is determined to exist. Any such charge could have a material adverse effect on our results of operations.

We have grown and may continue to grow through acquisitions.

Since January 1, 2019, we have acquired GHB, BoeFly and BNJ and entered into an agreement to acquire FLIC (First of Long Island Corp.), the consummation of which is pending regulatory approval. To be successful as a larger institution, we must successfully integrate the operations and retain the clients of acquired institutions, attract and retain the management required to successfully manage larger operations, and control costs.

Future results of operations will depend in large part on our ability to successfully integrate the operations of the acquired institutions and retain the clients of those institutions. If we are unable to successfully manage the integration of the separate cultures, client bases and operating systems of the acquired institutions, and any other institutions that may be acquired in the future, our results of operations may be adversely affected.

In addition, to successfully manage substantial growth, we may need to increase noninterest expenses through additional personnel, leasehold and data processing costs, among others. In order to successfully manage growth, we may need to adopt and effectively implement policies, procedures and controls to maintain credit quality, control costs and oversee our operations. No assurance can be given that we will be successful in this strategy.

We may be challenged to successfully manage our business as a result of the strain on management and operations that may result from growth. The ability to manage growth will depend on our ability to continue to attract, hire and retain skilled employees. Success will also depend on the ability of officers and key employees to continue to implement and improve operational and other systems, to manage multiple, concurrent client relationships and to hire, train and manage employees.

Finally, substantial growth may stress regulatory capital levels, and may require us to raise additional capital. No assurance can be given that we will be able to raise any required capital, or that we will be able to raise capital on terms that are beneficial to stockholders.

Attractive acquisition opportunities may not be available to us in the future.

We expect that other banking and financial service companies, many of which have significantly greater resources than us, will compete with us in acquiring other target companies if we seek to pursue such acquisitions. This competition could increase prices for potential acquisitions that we believe are attractive. Also, acquisitions are subject to various regulatory approvals. If we fail to receive the appropriate regulatory approvals, we will not be able to consummate an acquisition that we believe is in our best interests. Among other things, our regulators will consider our capital, liquidity, profitability, regulatory compliance and levels of goodwill when considering acquisition and expansion proposals. Any acquisition could be dilutive to our earnings and shareholders' equity per share of our common stock.

Hurricanes or other adverse weather or health related events could negatively affect our local economies or disrupt our operations, which would have an adverse effect on our business or results of operations.

Hurricanes and other weather events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. In addition, these weather events may result in a decline in value or destruction of properties securing our loans and an increase in delinquencies, foreclosures and credit losses. Finally, health related events, such as a viral pandemic, could adversely affect the business of our clients and our local economies, thereby adversely affecting our results of operations.

The Company will be subject to heightened regulatory requirements when total assets exceed $10 billion.

The Company's total assets were $9.880 billion as of December 31, 2024. Upon consummation of the FLIC merger, our assets will be substantially in excess of $10 billion. Banks with assets in excess of $10 billion are subject to requirements imposed by the Dodd-Frank Act and its implementing regulations, including: the examination authority of the Consumer Financial Protection Bureau to assess compliance with Federal consumer financial laws, imposition of higher FDIC premiums, and reduced debit card interchange fees, all of which increase operating costs and reduce earnings.

As the Company has approached $10 billion in total consolidated assets, additional costs have been incurred to prepare for the implementation of these imposed requirements. The Company may be required to invest more significant management attention and resources to evaluate and continue to make any changes necessary to comply with the new statutory and regulatory requirements under the Dodd-Frank Act. Any failure of the Company to meet these requirements may negatively impact results of operations and financial condition.

Risks Applicable to our Proposed Merger with FLIC

Shareholders of ConnectOne will have less influence as shareholders of the combined company than as a shareholder of ConnectOne prior to the completion of the merger.

The shareholders of ConnectOne will experience a decline in their influence over the resulting entity in the merger. Presently, ConnectOne shareholders have the right to control ConnectOne through their ability to elect the board of directors of ConnectOne and to vote on other matters affecting ConnectOne. As a result of the merger, the existing shareholders of ConnectOne will own approximately 76% of the combined company's outstanding common stock. Consequently, while the existing shareholders of ConnectOne will continue to own a majority of the outstanding shares of the combined company and thus will continue to have the ability to control the vote on most matters submitted to the shareholders of the combined company, the extent of the existing ConnectOne shareholders' influence over the management and policies of the combined company will be less than their current influence over the management and policies of ConnectOne.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the Merger.

Before the merger and the bank merger may be completed, ConnectOne and FLIC must obtain approvals from, or provide notice to, the Federal Reserve Board, the FDIC and the New Jersey Department of Banking and Insurance. Other approvals, waivers or consents from regulators may also be required. In determining whether to grant these approvals the regulators consider a variety of factors. An adverse development in either party's regulatory standing or these factors could result in an inability to obtain approvals or delay their receipt. These regulators may impose conditions on the completion of the holding company merger or the bank merger or require changes to the terms of the merger or the bank merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or the bank merger or imposing additional costs on or limiting the revenues of the combined company following the merger and the bank merger, any of which might have an adverse effect on the combined company following the merger.

ConnectOne may need to raise additional capital in connection with the merger.

In order to further support the capital ratios of the combined entity, ConnectOne expects that it will raise additional capital as part of the transaction. Under the terms of the merger agreement, ConnectOne has agreed that it would raise up to $200 million in new capital if required to obtain any necessary regulatory approval. The actual amount of capital to be raised, the timing, and the type of securities to be issued by ConnectOne to raise such capital, have not yet been determined. We can offer you no assurances that ConnectOne will be able to raise additional capital in connection with the merger. If ConnectOne is unable to raise additional capital, it may negatively impact ConnectOne's ability to obtain necessary regulatory approvals for the merger.

Failure to complete the merger could severely disadvantage ConnectOne.

Completion of the merger is subject to the satisfaction or waiver of a number of conditions. ConnectOne or FLIC cannot guarantee when or if these conditions will be satisfied or that the merger will be successfully completed. The consummation of the merger may be delayed, the merger may be consummated on terms different than those contemplated by the merger agreement, or the merger may not be consummated at all. If the merger is not completed, the ongoing business of ConnectOne may be adversely affected, and ConnectOne will be subject to several risks, including the following:

- ConnectOne could incur substantial costs relating to the proposed merger, such as legal, accounting, financial advisor, filing, printing and mailing fees; and

- ConnectOne's management's and employees' attention may be diverted from their day-to-day business and operational matters as a result of efforts relating to the attempt to consummate the merger.

In addition, if the merger is not completed, ConnectOne may experience negative reactions from the financial markets and from its customers and employees. ConnectOne also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against ConnectOne to perform its obligations under the merger agreement. If the merger is not completed, ConnectOne cannot assure shareholders that the risks described above will not materialize and will not materially affect the stock price and business and financial results of ConnectOne.

The expected benefits of the merger may not be realized if the combined company does not achieve cost savings and other benefits.

The expectation by the management teams of ConnectOne and FLIC that cost savings and revenue enhancements are achievable is a forward-looking statement that is inherently uncertain. The combined company's actual cost savings and revenue enhancements, if any, cannot be quantified at this time. Any actual cost savings or revenue enhancements will depend on future expense levels and operating results, the timing of certain events and general industry, regulatory and business conditions. Many of these events will be beyond the control of the combined company.

ConnectOne will be subject to business uncertainties and contractual restrictions, while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on ConnectOne. These uncertainties may impair ConnectOne's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with ConnectOne to seek to change existing business relationships with ConnectOne. Retention of certain employees by ConnectOne may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with ConnectOne. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with ConnectOne, ConnectOne's business could be harmed. In addition, subject to certain exceptions, ConnectOne has agreed to operate its business in the ordinary course, consistent with past practices, prior to closing. This could prohibit ConnectOne from taking advantage of a new business opportunity prior to consummation of the merger.

Shareholder litigation could prevent or delay the completion of the merger or otherwise negatively impact the business and operations of ConnectOne.

ConnectOne shareholders and/or FLIC shareholders may file lawsuits against ConnectOne, FLIC and/or the directors and officers of either company in connection with the merger. If any plaintiff were successful in obtaining an injunction prohibiting ConnectOne or FLIC from completing the merger or any of the other transactions contemplated by the merger agreement, then such injunction may delay or prevent the effectiveness of the merger and could result in significant costs to ConnectOne, including any cost associated with the indemnification of directors and officers or the defense or settlement of any shareholder lawsuits filed in connection with the merger. Such litigation could have an adverse effect on the consolidated financial condition and consolidated results of operations of ConnectOne and could prevent or delay the completion of the merger.

The combined company may be unable to retain ConnectOne and/or FLIC personnel successfully after the merger is completed.

The success of the merger will depend in part on the combined company's ability to retain the talents and dedication of key employees currently employed by ConnectOne and FLIC. It is possible that these employees may decide not to remain with ConnectOne or FLIC, as applicable, while the merger is pending or with the combined company after the merger is consummated. If ConnectOne is unable to retain key employees, including management, who are critical to the successful integration and future operations of the companies, ConnectOne could face disruptions in their operations, loss of existing customers, loss of key information, expertise or know-how and unanticipated additional recruitment costs. In addition, following the merger, if key employees terminate their employment, the combined company's business activities may be adversely affected, and management's attention may be diverted from successfully hiring suitable replacements, all of which may cause the combined company's business to suffer. ConnectOne also may not be able to locate or retain suitable replacements for any key employees who leave the company.

Unanticipated costs relating to the merger could reduce ConnectOne 's future earnings per share.

ConnectOne has incurred substantial legal, accounting, financial advisory and other merger-related costs, and ConnectOne's management has devoted considerable time and effort in connection with the merger. If the merger is not completed, ConnectOne will bear certain fees and expenses associated with the merger without realizing the benefits of the merger. If the merger is completed, ConnectOne expects to incur substantial expenses in connection with integrating the business, operations, network, systems, technologies, policies and procedures of the two companies. The fees and expenses may be significant and could have an adverse impact on ConnectOne's results of operations.

ConnectOne believes that it has reasonably estimated the likely costs of integrating the operations of ConnectOne and FLIC, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, could have a material adverse effect on the results of operations and financial condition of the combined company. If unexpected costs are incurred, the merger could have a dilutive effect on ConnectOne’s earnings per share. In other words, if the merger is completed, the earnings per share of ConnectOne common stock could be less than anticipated or even less than if the merger had not been completed.

Issuance of shares of ConnectOne common stock in connection with the merger may adversely affect the market price of ConnectOne common stock.

In connection with the payment of the merger consideration, ConnectOne expects to issue approximately 12 million shares of ConnectOne common stock to FLIC shareholders. The issuance of these new shares of ConnectOne common stock may result in fluctuations in the market price of ConnectOne's common stock, including a stock price decrease.

Risks Applicable to the Banking Industry Generally:

Our allowance for credit losses may not be adequate to cover actual losses.

Like all financial institutions, we maintain an allowance for credit losses and to provide for loan defaults and nonperformance. The process for determining the amount of the allowance is critical to our financial results and condition. It requires difficult, subjective and complex judgments about the future, as well as the impact of national and regional economic conditions on the ability of our borrowers to repay their loans. If our judgment proves to be incorrect, our allowance may not be sufficient to cover losses in our loan portfolio. Further, state and federal regulatory agencies, as an integral part of their examination process, review our loans and allowance and may require an increase in our allowance for credit losses. Further increases to the allowance could adversely affect our earnings.

Changes in interest rates, as well as other actions the Federal Reserve may take may adversely affect our earnings and financial condition.

Our net income depends primarily upon our net interest income. Net interest income is the difference between interest income earned on loans, investments and other interest-earning assets and the interest expense incurred on deposits and borrowed funds. The level of net interest income is primarily a function of the average balance of our interest-earning assets, the average balance of our interest-bearing liabilities, and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of our interest-earning assets and our interest-bearing liabilities which, in turn, are impacted by such external factors as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve Board of Governors (the “FOMC”), and market interest rates.

A period of sustained high market interest rates could adversely affect our earnings if our cost of funds increases more rapidly than our yield on our earning assets and compresses our net interest margin. In addition, the economic value of portfolio equity would decline as interest rates increase.

Different types of assets and liabilities may react differently, and at different times, to changes in market interest rates. We expect that we will periodically experience gaps in the interest rate sensitivities of our assets and liabilities. That means either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets, an increase in market rates of interest could reduce our net interest income. Likewise, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could reduce our net interest income. We are unable to predict changes in market interest rates, which are affected by many factors beyond our control, including inflation, deflation, recession, unemployment, money supply, domestic and international events and changes in the United States and other financial markets.

We also attempt to manage risk from changes in market interest rates, in part, by controlling the mix of interest rate sensitive assets and interest rate sensitive liabilities. However, interest rate risk management techniques are not exact. A rapid increase or decrease in interest rates could adversely affect our results of operations and financial performance.

In addition to increases in interest rates, the FOMC has also changed its stance on monetary policy as an additional effort to reduce inflation. Beginning in the second half of 2022, the FOMC began reducing its balance sheet, implementing a program of quantitative tightening to reduce the overall money supply. As a result, we may face greater competition for deposits, resulting in a higher cost of funds and a reduced net interest margin, as well as greater liquidity risk to continue to fund our loan originations. We are unable to predict the duration and ultimate impact of the FOMC’s quantitative tightening program. However, if the program significantly tightens the nation’s money supply, it may adversely affect our results of operations and financial performance.

The banking business is subject to significant government regulations.

We are subject to extensive governmental supervision, regulation and control. These laws and regulations are subject to change and may require substantial modifications to our operations or may cause us to incur substantial additional compliance costs. In addition, future legislation and government policy could adversely affect the commercial banking industry and our operations. Such governing laws can be anticipated to continue to be the subject of future modification. Our management cannot predict what effect any such future modifications will have on our operations. In addition, the primary focus of Federal and state banking regulation is the protection of depositors and not the shareholders of the regulated institutions.

For example, implementation of all required regulations under the Dodd-Frank Act may result in substantial new compliance costs. The Dodd-Frank Act was signed into law on July 21, 2010. Generally, the Dodd-Frank Act is effective the day after it was signed into law, but different effective dates apply to specific sections of the law, many of which will not become effective until various Federal regulatory agencies have promulgated rules implementing the statutory provisions. Ultimately, final implementation the Dodd-Frank Act could have a material adverse impact either on the financial services industry as a whole, or on our business, results of operations and financial condition.

These provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, may impact the profitability of our business activities and may change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply and could therefore also materially and adversely affect our business, financial condition and results of operations.

The ultimate effect of certain of these changes on the financial services industry in general, and us in particular, is uncertain at this time.

The laws that regulate our operations are designed for the protection of depositors and the public, not our shareholders.

The federal and state laws and regulations applicable to our operations give regulatory authorities extensive discretion in connection with their supervisory and enforcement responsibilities, and generally have been promulgated to protect depositors and the Deposit Insurance Fund and not for the purpose of protecting shareholders. These laws and regulations can materially affect our future business. Laws and regulations now affecting us may be changed at any time, and the interpretation of such laws and regulations by bank regulatory authorities is also subject to change.

We can give no assurance that future changes in laws and regulations or changes in their interpretation will not adversely affect our business. Legislative and regulatory changes may increase our cost of doing business or otherwise adversely affect us and create competitive advantages for non-bank competitors.

We cannot predict how changes in technology will impact our business; increased use of technology may expose us to service interruptions or breaches in security.

The financial services market, including banking services, is increasingly affected by advances in technology, including developments in:

- Telecommunications;
- Data processing;
- Automation;
- Internet-based banking, including personal computers, mobile phones and tablets;
- Debit cards and so-called “smart cards”;
- Remote deposit capture;
- Artificial Intelligence;
- Cryptocurrency; and
- Use of Blockchain.

Our ability to compete successfully in the future will depend, to a certain extent, on whether we can anticipate and respond to technological changes. We offer electronic banking services for our consumer and business clients via our website, www.cnob.com, including Internet banking and electronic bill payment, as well as mobile banking by phone. We also offer check cards, ATM cards, credit cards, and automatic and ACH transfers. The successful operation and further development of these and other new technologies will likely require additional capital investments in the future. In addition, increased use of electronic banking creates opportunities for interruptions in service or security breaches, which could expose us to claims by clients or other third parties and damage our reputation. We cannot assure you that we will have sufficient resources or access to the necessary proprietary technology to remain competitive in the future, or that we will be able to maintain a secure electronic environment.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management, Strategy and Governance

Cybersecurity is a material part of ConnectOne's business. As a financial institution offering products through multiple digital delivery channels, cybersecurity incidents could have a material effect on the Company, its results of operations and its reputation, although to date the Company has not experienced any cybersecurity incident which has had a material effect on the Company's business strategy, results of operations or financial condition. See "Item 1A- Risk Factors - We cannot predict how changes in technology will impact our business; increased use of technology may expose us to service interruptions or breaches in security."

Cybersecurity risk is initially overseen at ConnectOne by the management IT Committee (the "ITC"). The members of this committee include, as co-chairs, the Chief Compliance Officer and the Chief Technology Officer. Additional members are our Information Security Officer, Information Technology ("IT") Manager, Chief Risk Officer, Chairman & Chief Executive Officer, Chief Digital Officer and Chief Brand and Innovation Officer.

- Tarak Patel, Information Security Officer - Mr. Patel has facilitated the management of information security programs at financial institutions for over 17 years.

- Sharif Alexandre, Chief Technology Officer - Mr. Alexandre has over 20 years industry experience including managing Information Technology and Software Development teams at organizations ranging from technology startups to Fortune 500 companies. He recently oversaw IT operations and currently leads the Software Development and Data Management teams at the Bank.

- Laura Criscione, Chief Compliance Officer - Ms. Criscione oversees the company's Compliance and Information Security. Ms. Criscione has overseen Compliance and IT Operations throughout her more than 30-year career in financial institutions.

- Dale Dwaileebe, IT Manager - Mr. Dwaileebe has over 20 years of IT experience, is a current member of Infragard, and holds multiple industry recognized certifications.

- Michael O'Malley, Chief Risk Officer – Mr. O'Malley oversees entity-wide risk management, including cybersecurity related risk.

- Ali Mattera, Chief Digital Officer – Ms. Mattera is a technology subject matter expert with over 13 years of IT leadership and over 18 years of financial service experience. In her career she has been responsible for technology/digital strategy, enterprise program management, data analytics and IT service management at other financial institutions.

In addition to the members above, Frank Sorrentino III, Chairman & Chief Executive Officer and Siya Vansia, Chief Brand & Innovation Officer are also members of the ITC due to their roles in overseeing entity-wide management.

In order to ensure that cybersecurity risk management is integrated into the Company's overall risk management plans, systems and processes, members of the ITC, along with other lines of business heads, report to the management Enterprise Risk Management Committee (the "ERMC") , which in turn reports to the Board Audit and Risk Committee quarterly. The ERMC consists of the Company's Chief Risk Officer, Chairman & CEO, President, Chief Financial Officer, Treasurer, Chief Compliance Officer, Chief Technology Officer and Chief Credit Officer . In addition, the Company's Chief Technology Officer attends Company Board of Directors meetings and provides an information technology ("IT") report at each meeting.

The Company's cybersecurity risk mitigation program involves a combination of internal resources and the use of third parties . The Company's internal IT team performs monthly vulnerability scanning and performs an annual risk assessment based on the National Institute of Standards and Technology Cybersecurity Framework. The results are reported to the ITC. The Company's IT and compliance staff also review potential cybersecurity threats associated with the Company's third-party vendors , including performing a review of and obtaining a System of Organization Controls report from all vendors rated as "high risk" by the Company's internal vendor management program. The Company also has an internal Incident Response Plan and Team, which is charged with overseeing the Company's response to any cybersecurity incident. The team performs a table-top exercise at least annually to prepare to respond in the event of any actual cybersecurity incident.

In addition to these internal resources, the Company uses a third-party vendor to undertake annual penetration and vulnerability testing, with the results reported to the ITC. Finally, the Company's cybersecurity compliance program is audited by the Bank's outsourced internal auditor.

The Company also maintains insurance which may provide coverage for expenses and certain losses incurred in connection with a cybersecurity incident.

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Item 2. Properties

The Bank operates six banking offices in Bergen County, NJ, in Fort Lee, Englewood Cliffs, Hackensack, Cresskill, Ridgewood and Saddle River; four banking offices in Union County, NJ, consisting of two offices in Union Township, and one office each in Springfield Township, and Summit; one banking office in Morristown in Morris County, NJ; one office in Newark in Essex County, NJ; one office in West New York in Hudson County, NJ; one office in Holmdel in Monmouth County, NJ; one banking office in the borough of Manhattan in New York City, one office in Melville, Nassau County and one office in East Hampton, Suffolk County in Long Island, one in Astoria, Queens and five branches in the Hudson Valley, including in White Plains and Tarrytown, in Westchester County, NY, Bardonia and Blauvelt, in Rockland County, NY and in Middletown, in Orange County, NY, and one financial center in West Palm Beach in Palm Beach County, FL. The Bank's principal office is located at 301 Sylvan Avenue, Englewood Cliffs, NJ. The principal office is a three-story leased building constructed in 2008.

The following table sets forth certain information regarding the Bank's leased operating locations.

Banking Office Location	Term
301 Sylvan Avenue, Englewood Cliffs, NJ	Term expires November 2028
1 Union Ave, Cresskill, NJ	Term expires January 2038
142 John Street, Hackensack, NJ	Term expires December 2026
171 East Ridgewood Avenue, Ridgewood, NJ	Term expires April 2029
71 East Allendale Road, Saddle River, NJ	Term expires May 2032
356 Chestnut Street, Union, NJ	Term expires May 2027
545 Morris Avenue, Summit, NJ	Term expires January 2034
217 Chestnut Street, Newark, NJ	Term expires December 2034
5914 Park Avenue, West New York, NJ	Term expires September 2028
963 Holmdel Road, Holmdel, NJ	Term expires September 2026
551 Madison Avenue, Suite 201, NY, NY	Term expires May 2032
551 Madison Avenue, Suite 202, NY, NY	Term expires October 2028
48 South Service Rd, 2nd Fl, Melville, NY	Term expires June 2025
36-19 Broadway, Astoria, NY	Term expires August 2028
485 Schutt Rd, Middletown, NY	Term expires October 2025
715 Route 304, Bardonia NY	Term expires August 2028
567 North Broadway, White Plains NY	Term expires September 2028
155 White Plains Rd., Tarrytown NY	Term expires December 2026
170 East Erie St, Blauvelt NY	Term expires February 2028
625 N Flagler Dr Ste 1002, West Palm Beach, FL	Term expires June 2027
78B Park Place, East Hampton, NY	Term expires January 2029
4175 Veterans Memorial Highway, Ste 100, Ronkonkoma, NY	Term expires August 2034

Item 3. Legal Proceedings

There are no significant pending legal proceedings involving the Company other than those arising out of routine operations. None of these matters would have a material adverse effect on the Company or its results of operations if decided adversely to the Company.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Security Market Information

The common stock of the Company is traded on the NASDAQ Global Select Market under the symbol "CNOB". As of December 31, 2024, the Company had 678 stockholders of record, excluding beneficial owners for whom Cede & Company or others act as nominees.

Share Repurchase Program

Historically, repurchases have been made from time to time as, in the opinion of management, market conditions warranted, in the open market or in privately negotiated transactions.

In September 2021, the Board of Directors authorized the repurchase of up to 2,000,000 shares. The Company may repurchase shares from time to time in the open market, in privately negotiated share purchases or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission and applicable federal securities laws. The share repurchase plan does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion. During the year ended December 31, 2024, the Company repurchased a total of 282,370 shares. As of December 31, 2024, shares remaining for repurchase under the program were 641,118.

The following table details share repurchases for the year 2024:

	Shares Authorized	Total Number of Shares Purchased	Average Price Paid per Share	Cumulative Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
					923,488
First Quarter 2024	-	282,370	$ 20.27	282,370	641,118
Second Quarter 2024	-	-	-	282,370	641,118
Third Quarter 2024	-	-	-	282,370	641,118
Fourth Quarter 2024	-	-	-	282,370	641,118

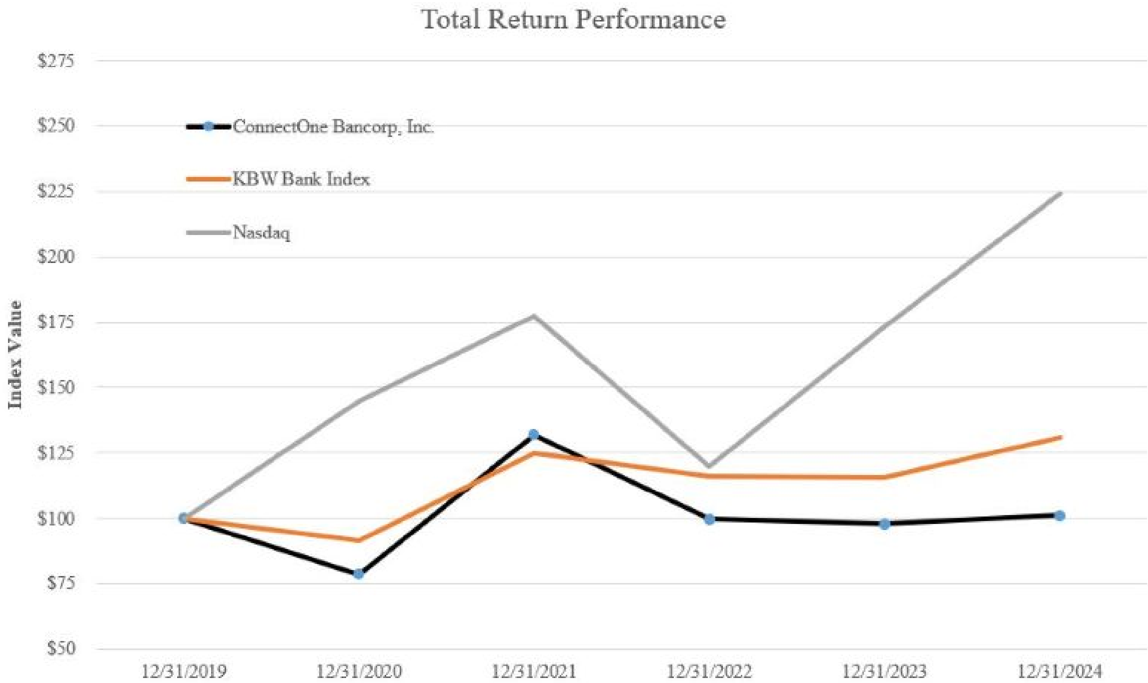
Dividends

Federal laws and regulations contain restrictions on the ability of the Parent Corporation and the Bank to pay dividends. For information regarding restrictions on dividends, see Part I, Item 1, "Business" and Part II, Item 8, "Financial Statements and Supplementary Data", Note 19 and Note 22 of the Notes to Consolidated Financial Statements."

Stockholders Return Comparison

Set forth on the following page is a line graph presentation comparing the cumulative stockholder return on the Parent Corporation's common stock, on a dividend reinvested basis, against the cumulative total returns of the NASDAQ Composite and the KBW Bank Index for the period from December 31, 2019 through December 31, 2024.

COMPARATIVE SIX-YEAR CUMULATIVE TOTAL RETURN
AMONG CONNECTONE BANCORP INC.
NASDAQ AND KBW BANK INDEX



Assumes $100 Invested on December 31, 2019, with Dividends Reinvested
Year Ended December 31, 2024

COMPARISON OF CUMULATIVE TOTAL RETURN OF ONE OR MORE
COMPANIES, PEER GROUPS, INDUSTRY INDEXES AND/OR BROAD MARKETS

	Fiscal Year Ending					
Company/Index/Market	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
ConnectOne Bancorp, Inc.	$ 100.00	$ 78.59	$ 131.92	$ 99.76	$ 97.86	$ 101.06
KBW Bank Index	100.00	91.32	124.79	116.15	115.69	130.96
Nasdaq	100.00	145.05	177.27	119.63	173.11	224.34

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations

The purpose of this analysis is to provide the reader with information relevant to understanding and assessing the Company's results of operations for each of the past three years and financial condition for each of the past two years. In order to fully appreciate this analysis, the reader is encouraged to review the consolidated financial statements and accompanying notes thereto appearing under Item 8 of this report, and statistical data presented in this document.

Cautionary Statement Concerning Forward-Looking Statements

See Item 1 of this Annual Report on Form 10-K for information regarding forward-looking statements.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The Company considers the allowance for credit losses and related provision to be critical to our financial results. For information on our significant accounting policies, see Note 1a in the Notes to Consolidated Financial Statements.

Allowance for Credit Losses and Related Provision

The allowance for credit losses is an estimate of current expected credit losses considering available information relevant to assessing collectability of cash flows over the contractual term of the financial assets necessary to cover lifetime expected credit losses inherent in financial assets at the balance sheet date. The methodology for determining the allowance for credit losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the forecasted economic environment that could result in changes to the amount of the recorded allowance for credit losses. The loan portfolio also represents the largest asset type on the Company's Consolidated Statements of Financial Condition.

Management believes the following information may enable investors to better understand the changes in our allowance for credit losses for loans. The Company's allowance for credit losses ("ACL") for loans totaled $82.7 million and $82.0 million as of December 31, 2024 and 2023, respectively. The $0.7 million increase in the allowance for credit losses for loans was primarily due to increases in individually evaluated allowance, partially offset by a decrease in the level of collectively evaluated allowance.

The quantitative component of our ACL for collectively evaluated loans, which is largely based on a selection of various economic forecasts, decreased by $7.4 million as of December 31, 2024 when compared to December 31, 2023. This decrease was primarily attributable to a decrease in collectively evaluated loans of $54.4 million. The qualitative component of our ACL for loans, which is largely based on management's judgment of qualitative loss factors, increased by $8.0 million on an absolute basis, over the same period-of-time, as qualitative factor trends increased over 2024.

The Company's allowance for credit losses for collectively evaluated loans totaled $81.2 million as of December 31, 2024, which included $71.6 million of allowance related to commercial and commercial real estate loans. Of the $71.6 million allowance related to commercial and commercial real estate loans, $32.0 million was attributable to qualitative loss factors. Changes in managements' judgement of qualitative loss factors could result in a significant change to the allowance for credit losses for loans. As described in Note 1a to our financial statements filed as part of this Annual Report on Form 10-K, qualitative loss factors are applied to each portfolio segment with the amounts judgmentally determined by the relative risk to the most severe loss periods identified in the historical loan charge-offs of a peer group of similar-sized regional banks. As of December 31, 2024, on a weighted average basis the most severe historical loss rate for our commercial and commercial real estate loans were 2.37% and 1.96%, respectively.

The Company's quantitative component of allowance for credit losses for collectively evaluated loans is calculated with an economic forecast sourced from Moody's. Management performed a hypothetical sensitivity analysis to understand the impact of changes in the economic forecast as a key input on our allowance for credit losses for collectively evaluated loans. Within the various economic scenarios considered for this hypothetical sensitivity analysis, as of December 31, 2024, the quantitative estimate of the allowance for credit loss for collectively evaluated loans would increase by approximately $47.2 million under sole consideration of an adverse Moody's economic forecast. The hypothetical sensitivity calculation reflects the sensitivity of the modeled allowance estimate to macroeconomic forecast data but lacks other qualitative overlays and other qualitative adjustments that are part of the quarterly reserving process. As such, this does not necessarily reflect the nature and extent of future changes in the allowance for reasons including increases or decreases in qualitative adjustments, changes in the risk profile and size of the portfolio, changes in the severity of the macroeconomic scenario and the range of scenarios under management consideration.

Our allowance for credit losses for individually analyzed loans is determined on an individual basis using the present value of expected cash flows discounted using the loan's effective interest rate or, for collateral-dependent loans, the fair value of the collateral, less estimated selling costs, as applicable. As of December 31, 2024, the Company's allowance for credit losses on individually analyzed loans was relatively flat when compared to December 31, 2023.

Overview and Strategy

We serve as a holding company for the Bank, which is our primary asset and only operating subsidiary. We follow a business plan that emphasizes the delivery of customized banking services in our market area to clients who desire a high level of personalized service and responsiveness. The Bank conducts a traditional banking business, making commercial loans, consumer loans and residential and commercial real estate loans. In addition, the Bank offers various non-deposit products through non-proprietary relationships with third party vendors. The Bank relies upon deposits as the primary funding source for its assets. The Bank offers traditional deposit products.

Many of our client relationships start with referrals from existing clients. We then seek to cross sell our products to clients to grow the client relationship. For example, we will frequently offer an interest rate concession on credit products for clients that maintain a noninterest-bearing deposit account at the Bank. This strategy has helped maintain our funding costs and the growth of our interest expense even as we have substantially increased our total deposits. It has also helped fuel our significant loan growth. We believe that the Bank's continued growth and profitability demonstrate the need for and success of our brand of banking.

Our results of operations depend primarily on our net interest income, which is the difference between the interest earned on our interest-earning assets and the interest paid on funds borrowed to support those assets, primarily deposits. Net interest margin is the difference between the weighted average rate received on interest-earning assets and the weighted average rate paid to fund those interest-earning assets, which is also affected by the average level of interest-earning assets as compared with that of interest-bearing liabilities. Net income is also affected by the amount of noninterest income and noninterest expenses.

General

The following discussion and analysis present the more significant factors affecting the Company's financial condition as of December 31, 2024 and 2023 and results of operations for each of the years in the three-year period ended December 31, 2024. The MD&A should be read in conjunction with the consolidated financial statements, notes to consolidated financial statements and other information contained in this report.

Operating Results Overview

Net income available to common stockholders for the year ended December 31, 2024 was $67.8 million, a decrease of $13.2 million, or 16.3%, compared to net income of $81.0 million for 2023. Diluted earnings per share were $1.76 for 2024, a 15.0% decrease from $2.07 for 2023.

The change in net income from 2023 to 2024 was attributable to the following:

- Decrease in net interest income of $7.8 million. The decrease was primarily due to an 10 basis-point contraction in the net interest margin to 2.72% from 2.82%, partially offset by a $43.0 million, or 0.5%, increase in average interest-earning assets.

- Increase in noninterest expenses of $7.8 million. The increase is primarily due to increases in information technology and communications expenses of $3.2 million, attributable to additional investments in technology, equipment and software. Additionally, there were increases in salaries and employee benefits of $1.8 million, attributable to an increase in incentive compensation accruals and an increase in expenses related to the Bank's Supplemental Executive Retirement Plan. Finally, there were increases in merger expenses of $1.6 million, due to the planned merger with The First of Long Island Corporation, professional and consulting expenses of $0.9 million, occupancy and equipment of $0.7 million, branch closing expenses of $0.5 million, and marketing and advertising of $0.5 million, partially offset by decreases in FDIC insurance of $1.2 million, due to an FDIC special assessment charge in 2023, and amortization of core deposit intangible of $0.2 million.

- Increase in provision for credit losses of $5.6 million. The increase reflected an increase in the individually evaluated allowance, partially offset by a decrease in the level of collectively evaluated allowance.

- Increase in noninterest income of $2.7 million, primarily due to increases in net gains on sale of loans held-for-sale of $1.0 million, income on bank owned life insurance of $0.8 million, deposit, loan and other income of $0.8 million, and net losses on equity securities of $0.1 million.

- Decrease in income tax expense of $5.3 million resulting primarily from lower taxable income.

Net income available to common stockholders for the year ended December 31, 2023 was $81.0 million, a decrease of $38.2 million, or 32.1%, compared to net income of $119.2 million for 2022. Diluted earnings per share were $2.07 for 2023, a 31.2% decrease from $3.01 for 2022.

The change in net income from 2022 to 2023 was primarily attributable to the following:

- Decrease in net interest income of $47.0 million. The decrease was primarily due to an 87 basis-point contraction in the net interest margin to 2.82% from 3.69%, partially offset by a $0.9 billion, or 11.0%, increase in average interest-earning assets.

- Increase in noninterest expenses of $17.6 million, primarily due to increases in salaries and employee benefits of $7.0 million attributable to increased staff in both the revenue and back-office areas of the Bank, base salary increases and incentive compensation accruals. Additionally, there were increases in FDIC insurance of $5.5 million, which included a $2.1 million FDIC special assessment recognized in 2023. Excluding the $2.1 million special assessment, the increase in FDIC insurance from the prior year of $3.4 million was attributable to balance sheet growth and a two-basis point increase in the Bank's initial base rate. Finally, there were increases in information technology and communications of $3.2 million, other expenses of $2.3 million, occupancy and equipment of $1.0 million and marketing and advertising of $0.3 million, partially offset by decreases in professional and consulting of $0.5 million, BoeFly acquisition of $0.5 million and amortization of core deposit intangibles of $0.2 million. The increase in information technology and communications was primarily attributable to additional investments in technology, equipment and software.

- Decrease in provision for credit losses of $9.6 million. The decrease was primarily due to changes in forecasted macroeconomic conditions.

- Increase in noninterest income of $0.7 million, primarily due to decreases in net losses on equity securities of $1.4 million and income on bank owned life insurance of $0.7 million, partially offset by decreases in deposit, loan and other income of $1.4 million.

- Decrease in income tax expense of $16.1 million resulting primarily from lower taxable income.

Net Interest Income

Fully taxable equivalent net interest income for 2024 totaled $250.7 million, a decrease of $7.6 million, or 2.9%, from 2023. The decrease in net interest income was due to a 10 basis-point contraction in the net interest margin to 2.72% from 2.82%, partially offset by a $43.0 million, or 0.5%, increase in average interest-earning assets. The net interest margin contraction was due to a 49-basis point increase in the average cost of deposits, including noninterest-bearing demand, to 3.23%, and was partially offset by a 29 basis-point increase in the loan portfolio yield to 5.86%.

Fully taxable equivalent net interest income for 2023 totaled $258.3 million, a decrease of $46.3 million, or 15.2%, from 2022. The decrease in net interest income was due to an 87 basis-point contraction in the net interest margin to 2.82% from 3.69%, partially offset by a $0.9 billion, or 11.0%, increase in average interest-earning assets. The net interest margin contraction was due to a 199-basis point increase in the average cost of deposits, including noninterest-bearing demand, to 2.74%, and was partially offset by a 77 basis-point increase in the loan portfolio yield to 5.57%. Average total loans, which include loans held-for-sale, increased by 10.8% to $8.2 billion in 2023 from $7.4 billion in 2022. The increase in average total loans is attributable to higher loan originations.

Average Balance Sheets

The following table sets forth certain information relating to our average assets and liabilities for the years ended December 31, 2024, 2023 and 2022 and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown.

	Years Ended December 31,								
	2024			2023			2022		
(Tax-Equivalent Basis)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(dollars in thousands)								
ASSETS									
Interest-earning assets:									
Investment securities (1) (2)	$ 733,261	$ 24,261	3.31%	$ 726,487	$ 22,541	3.10%	$ 660,760	$ 17,640	2.67%
Loans receivable and loans held-for-sale (2) (3) (4)	8,192,738	479,994	5.86%	8,179,853	455,940	5.57%	7,380,584	354,450	4.80%
Federal funds sold and interest-earning deposits with banks	243,650	12,617	5.18%	220,143	11,104	5.04%	186,205	2,493	1.34%
Restricted investment in bank stocks	44,209	4,349	9.84%	44,389	3,662	8.25%	36,744	1,655	4.50%
Total interest-earning assets	9,213,858	521,221	5.66%	9,170,872	493,247	5.38%	8,264,293	376,238	4.55%
Noninterest-earning assets:									
Allowance for credit losses	(83,993)			(89,119)			(84,209)		
Noninterest-earning assets	620,574			613,642			602,657		
Total assets	$ 9,750,439			$ 9,695,395			$ 8,782,741		
LIABILITIES & STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Time deposits	$ 2,564,670	$ 114,555	4.47%	$ 2,529,892	$ 92,969	3.67%	$ 1,449,826	$ 21,331	1.47%
Other interest-bearing deposits	3,751,117	130,291	3.47%	3,667,096	113,207	3.09%	3,702,773	29,230	0.79%
Total interest-bearing deposits	6,315,787	244,846	3.88%	6,196,988	206,176	3.33%	5,152,599	50,561	0.98%
Borrowings	774,533	20,386	2.63%	792,239	22,453	2.83%	661,729	12,188	1.84%
Subordinated debentures	79,673	5,239	6.58%	85,249	6,234	7.31%	153,092	8,759	5.72%
Finance lease	1,382	81	5.86%	1,630	96	5.89%	1,838	119	6.47%
Total interest-bearing liabilities	7,171,375	270,552	3.77%	7,076,106	234,959	3.32%	5,969,258	71,627	1.20%
Noninterest-bearing deposits	1,268,839			1,332,809			1,612,040		
Other liabilities	80,702			89,122			51,048		
Stockholders' equity	1,229,523			1,197,358			1,150,395		
Total liabilities and stockholders' equity	$ 9,750,439			$ 9,695,395			$ 8,782,741		
Net interest income/interest rate spread (5)		250,669	1.88%		258,288	2.06%		304,611	3.35%
Tax-equivalent adjustment		(3,332)			(3,182)			(2,492)	
Net interest income as reported		$ 247,337			$ 255,106			$ 302,119	
Net interest margin (6)			2.72%			2.82%			3.69%

(1) Average balances are based on amortized cost.
(2) Interest income is presented on a tax equivalent basis using 21% federal tax rate.
(3) Includes loan fee income and accretion of purchase accounting adjustments.
(4) Loans include nonaccrual loans.
(5) Represents difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities and is presented on a tax equivalent basis.
(6) Represents net interest income on a tax equivalent basis divided by average total interest-earning assets.

Rate/Volume Analysis

The following table presents, by category, the major factors that contributed to the changes in net interest income. Changes due to both volume and rate have been allocated in proportion to the relationship of the dollar amount change in each.

	2024/2023 Increase (Decrease) Due to Change in:			2023/2022 Increase (Decrease) Due to Change in:		
	Average Volume	Average Rate	Net Change	Average Volume	Average Rate	Net Change
	(dollars in thousands)					
Interest income:						
Investment securities:	$ 224	$ 1,496	$ 1,720	$ 2,039	$ 2,862	$ 4,901
Loans receivable and loans held-for-sale	755	23,299	24,054	44,551	56,939	101,490
Federal funds sold and interest-earnings deposits with banks	1,217	296	1,513	1,712	6,899	8,611
Restricted investment in bank stocks	(18)	705	687	631	1,376	2,007
Total interest income:	$ 2,178	$ 25,796	$ 27,974	$ 48,933	$ 68,076	$ 117,009
Interest expense:						
Savings, NOW, money market, interest checking	$ 2,918	$ 14,166	$ 17,084	$ (1,101)	$ 85,078	$ 83,977
Time deposits	1,553	20,033	21,586	39,690	31,949	71,639
Borrowings and subordinated debentures	(833)	(2,229)	(3,062)	(1,262)	9,001	7,739
Finance obligation	(15)	-	(15)	(12)	(11)	(23)
Total interest expense:	$ 3,623	$ 31,970	$ 35,593	$ 37,315	$ 126,017	$ 163,332
Net interest income:	$ (1,445)	$ (6,174)	$ (7,619)	$ 11,618	$ (57,941)	$ (46,323)

Provision for Credit Losses

In determining the provision for credit losses, management considers national and local economic trends and conditions; trends in the portfolio including orientation to specific loan types or industries; experience, ability and depth of lending management in relation to the complexity of the portfolio; effects of changes in lending policies, trends in volume and terms of loans; levels and trends in delinquencies, individually analyzed loans and net charge-offs and the results of independent third party loan reviews.

For the year ended December 31, 2024, the provision for credit losses was $13.8 million, an increase of $5.6 million, compared to the provision for credit losses of $8.2 million for the year ended December 31, 2023. The increase in provision for credit losses for the year ended December 31, 2024 was due to increases in individually evaluated allowance, partially offset by a decrease in the level of collectively evaluated allowance.

For the year ended December 31, 2023, the provision for credit losses was $8.2 million, a decrease of $9.6 million, compared to the provision for credit losses of $17.8 million for the year ended December 31, 2022. The decrease in provision for credit losses for the year ended December 31, 2024 reflected changes in forecasted macroeconomic conditions, partially offset by organic loan growth.

Noninterest Income

Noninterest income for 2024 increased by $2.7 million, or 19.5%, to $16.7 million from $14.0 million in 2023. The increase was primarily due to increases in net gains on sale of loans held-for-sale of $1.0 million, bank owned life insurance of $0.8 million, deposit, loan and other income of $0.8 million and net gains on equity securities of $0.1 million.

Noninterest income for 2023 increased by $0.7 million, or 5.7%, to $14.0 million from $13.2 million in 2022. The increase was primarily due to decreases in net losses on equity securities of $1.4 million and increases in income on bank owned life insurance of $0.7 million, partially offset by decreases in deposit, loan and other income of $1.4 million.

Noninterest Expense

Noninterest expenses for 2024 increased by $7.8 million, primarily due to increases in information technology and communications expenses of $3.2 million, attributable to additional investments in technology, equipment and software. Additionally, there were increases in salaries and employee benefits of $1.8 million, attributable to an increase in incentive compensation accruals and an increase in expenses related to the Bank’s Supplemental Executive Retirement Plan. Finally, there were increases in merger expenses of $1.6 million, due to the planned merger with The First of Long Island Corporation, professional and consulting expenses of $0.9 million, occupancy and equipment of $0.7 million, branch closing expenses of $0.5 million, and marketing and advertising of $0.5 million, partially offset by decreases in FDIC insurance of $1.2 million, due to FDIC special assessment charge in 2023, and amortization of core deposit intangible of $0.2 million.

Noninterest expenses for 2023 increased by $17.6 million, primarily due to increases in salaries and employee benefits of $7.0 million attributable to increased staff in both the revenue and back-office areas of the Bank, base salary increases and incentive compensation accruals. Additionally, there were increases in FDIC insurance of $5.5 million, which included a $2.1 million FDIC special assessment recognized in 2023. Excluding the $2.1 million special assessment, the increase in FDIC insurance from the prior year of $3.4 million was attributable to balance sheet growth and a two-basis point increase in the Bank’s initial base rate. Finally, there were increases in information technology and communications of $3.2 million, other expenses of $2.3 million, occupancy and equipment of $1.0 million and marketing and advertising of $0.3 million, partially offset by decreases in professional and consulting of $0.5 million, BoeFly acquisition of $0.5 million and amortization of core deposit intangibles of $0.2 million. The increase in information technology and communications was primarily attributable to additional investments in technology, equipment and software.

Income Taxes

Income tax expense was $24.7 million for 2024 compared to $30.0 million for 2023 and $46.0 million for 2022. The decrease in income tax expense in 2024 when compared to 2023 and 2022 was primarily the result of lower taxable income. The effective tax rates were 25.1% in 2024, 25.6% in 2023 and 26.9% for 2022. The lower effective tax rate during 2024 when compared to 2023 and 2022, was the result of a lower percentage of income being derived from taxable sources.

For a more detailed description of income taxes see Note 11 of the Notes to Consolidated Financial Statements.

Financial Condition Overview

As of December 31, 2024, the Company's total assets were $9.9 billion, an increase of $24 million from December 31, 2023. Total loans (including loans held-for-sale) were $8.3 billion, a decrease of $70 million from December 31, 2023. Deposits were $7.8 billion, an increase of $284 million from December 31, 2023.

As of December 31, 2023, the Company's total assets were $9.9 billion, an increase of $0.2 billion from December 31, 2022. Total loans (including loans held-for-sale) were $8.3 billion, an increase of $0.2 billion from December 31, 2022. Deposits were $7.5 billion, an increase of $0.2 billion from December 31, 2022.

Loan Portfolio

The Bank's lending activities are generally oriented to small-to-medium sized businesses, high net worth individuals, professional practices and consumer and retail clients living and working in the Bank's metropolitan, New York market area, consisting of Bergen, Union, Morris, Essex, Hudson, Mercer and Monmouth counties, New Jersey, as well as NYC's five boroughs, Nassau, Rockland, Orange, Suffolk and Westchester counties, in New York and businesses and individuals living and working in the communities served by the Bank's West Palm Beach, Florida office. The Bank has not made loans to borrowers outside of the United States. The Bank believes that its strategy of high-quality client service, competitive rate structures and selective marketing have enabled it to gain market share.

Commercial loans are loans made for business purposes and are primarily secured by collateral such as business assets including accounts receivable, inventory and equipment. These facilities can also be secured by cash balances with the Bank, marketable securities held by or under the control of the Bank, and commercial and residential real estate. Commercial construction loans are loans to finance the construction of commercial or residential properties secured by first liens on such properties. Commercial real estate loans include loans secured by first liens on completed commercial properties, including multifamily properties, to purchase or refinance such properties, as well as land loans. Residential mortgages include loans secured by first liens on residential real estate and are generally made to existing clients of the Bank to purchase or refinance primary and secondary residences. Home equity loans and lines of credit include loans secured by first or second liens on residential real estate for primary or secondary residences. Consumer loans are made to individuals who qualify for auto loans, cash reserve, credit cards and installment loans.

The largest component of the gross loan portfolio as of December 31, 2024 and December 31, 2023 was commercial real estate loans. Commercial real estate loans decreased $14.9 million, or 0.3%, to $5.9 billion as of December 31, 2024 from December 31, 2023. See the tables below for more detailed information on our commercial real estate portfolio. Commercial loans decreased $46.0 million, or 2.9%, to $1.5 billion as of December 31, 2024 from December 31, 2023. Commercial construction loans decreased $4.3 million, or 0.7%, as of December 31, 2024 from December 31, 2023. Residential real estate loans decreased $6.4 million, or 2.5%, to $0.2 billion as of December 31, 2024 from December 31, 2023. Consumer loans remained essentially flat when compared to the prior year.

The following table sets forth the classification of our loans by loan portfolio segment for the periods presented.

	December 31, 2024	December 31, 2023
Commercial	$ 1,532,730	$ 1,578,730
Commercial real estate	5,880,679	5,895,545
Commercial construction	616,246	620,496
Residential real estate	249,691	256,041
Consumer	1,136	1,029
Gross loans	8,280,482	8,351,841
Net deferred fees	(5,672)	(6,696)
Loans receivable	8,274,810	8,345,145
Allowance for credit losses	(82,685)	(81,974)
Net loans receivable	$ 8,192,125	$ 8,263,171

While the previous table reflects the classification of our loans by loan portfolio segment, the following tables present further disaggregation of our commercial real estate portfolio along with loan-to-value ("LTV") percentages.

	December 31, 2024		December 31, 2023	
(dollars in thousands)	Balance	Loan-to-Value	Balance	Loan-to-Value
Commercial real estate loans				
Multifamily	$ 2,496,508	61%	$ 2,553,401	61%
Nonowner-occupied	1,965,044	53	2,177,585	54
Owner-occupied	1,101,034	52	930,319	53
Land loans	317,524	45	234,563	45
Total commercial real estate loans (before fair value adjustment)	5,880,110	56%	5,895,868	56%
Fair value premium (discount)	569		(323)	
Total commercial real estate loans	$ 5,880,679		$ 5,895,545	

The table above is further broken down in the following table by geography:

	December 31, 2024		December 31, 2023	
(dollars in thousands)	Balance	Percent of Total	Balance	Percent of Total
Multifamily loans				
New Jersey	$ 1,588,891	63.6%	$ 1,623,666	63.6%
New York	713,651	28.6	789,065	30.9
Florida	7,732	0.3	7,828	0.3
Connecticut	36,486	1.5	36,761	1.4
All Other States	149,748	6.0	96,081	3.8
Total multifamily loans	$ 2,496,508	100.0%	$ 2,553,401	100.0%

	December 31, 2024		December 31, 2023	
(dollars in thousands)	Balance	Percent of Total	Balance	Percent of Total
Nonowner-occupied				
New Jersey	$ 796,785	40.5%	$ 972,907	44.7%
New York	730,145	37.2	778,842	35.8
Florida	162,184	8.3	205,178	9.4
Connecticut	47,083	2.4	80,067	3.7
All Other States	228,847	11.6	140,592	6.4
Total nonowner occupied	$ 1,965,044	100.0%	$ 2,177,585	100.0%

	December 31, 2024		December 31, 2023	
(dollars in thousands)	Balance	Percent of Total	Balance	Percent of Total
Owner-occupied				
New Jersey	$ 509,151	46.3%	$ 474,905	51.1%
New York	312,514	28.4	267,990	28.8
Florida	46,540	4.2	69,989	7.5
Connecticut	36,636	3.3	5,887	0.6
All Other States	196,193	17.8	111,548	12.0
Total owner-occupied	$ 1,101,034	100.0%	$ 930,319	100.0%

(dollars in thousands)	December 31, 2024 Balance	December 31, 2024 Percent of Total	December 31, 2023 Balance	December 31, 2023 Percent of Total
Land loans				
New Jersey	$ 78,429	24.7%	$ 106,884	45.6%
New York	110,967	35.0	77,767	33.1
Florida	125,523	39.5	48,807	20.8
Connecticut	-	-	-	-
All Other States	2,605	0.8	1,105	0.5
Total land	$ 317,524	100.0%	$ 234,563	100.0%

In addition, the following tables present further detail with respect to our owner-occupied and nonowner-occupied borrower concentrations included in the commercial real estate segment.

(dollars in thousands)	December 31, 2024 Balance	December 31, 2024 Percent of Total	December 31, 2023 Balance	December 31, 2023 Percent of Total
Owner-occupied				
Retail	$ 203,119	18.4%	$ 208,685	22.4%
Office	94,821	8.6	102,886	11.1
Warehouse/Industrial	247,413	22.5	249,557	26.8
Mixed Use	126,783	11.5	116,046	12.5
Other	428,898	39.0	253,145	27.2
Total owner-occupied	$ 1,101,034	100.0%	$ 930,319	100.0%

(dollars in thousands)	December 31, 2024 Balance	December 31, 2024 Percent of Total	December 31, 2023 Balance	December 31, 2023 Percent of Total
Nonowner-occupied				
Retail	$ 612,431	31.1%	$ 637,211	29.3%
Office	420,059	21.4	424,479	19.5
Warehouse/Industrial	213,842	10.9	233,518	10.7
Mixed Use	127,604	6.5	192,617	8.8
Other	591,108	30.1	689,760	31.7
Total nonowner-occupied	$ 1,965,044	100.0%	$ 2,177,585	100.0%

The following table sets forth the classification of our gross loans by loan portfolio segment and by fixed and adjustable-rate loans as of December 31, 2024 by remaining contractual maturity.

	As of December 31, 2024 Maturing:				
	In One Year or Less	After One Year through Five Years	After Five Years through Fifteen Years	After Fifteen Years	Total
Commercial	$ 465,415	$ 471,079	$ 366,432	$ 229,804	$ 1,532,730
Commercial real estate	843,846	2,081,202	2,862,719	92,912	5,880,679
Commercial construction	436,007	180,239	-	-	616,246
Residential real estate	3,560	25,343	36,568	184,220	249,691
Consumer	1,048	67	3	18	1,136
Total	$ 1,749,876	$ 2,757,930	$ 3,265,722	$ 506,954	$ 8,280,482
Loans with:					
Fixed rates	$ 514,628	$ 1,773,159	$ 978,930	$ 341,187	$ 3,607,904
Variable rates	1,235,248	984,771	2,286,792	165,767	4,672,578
Total	$ 1,749,876	$ 2,757,930	$ 3,265,722	$ 506,954	$ 8,280,482

For additional information regarding loans, see Note 5 of the Notes to the Consolidated Financial Statements.

Asset Quality

General. One of our key objectives is to maintain a high level of asset quality. When a borrower fails to make a scheduled payment, we attempt to cure the deficiency by sending late notices, as well as making personal contact with the borrower. Typically, late notices are sent approximately 10 days after the date the payment is due followed up by direct contact with the borrower approximately 15 days after payment is due. In most cases, deficiencies are promptly resolved. If the delinquency continues, late charges are assessed, and additional efforts are made to collect the deficiency. Total loans delinquent 30 days or more are reported to the Board of Directors of the Bank on a monthly basis.

On loans where the collection of principal or interest payments is doubtful, the accrual of interest income ceases (“nonaccrual” loans). Except for loans that are well-secured and in the process of collection, it is our policy to discontinue accruing additional interest and reverse any interest accrued on any loan that is 90 days or greater past due. On occasion, this action may be taken earlier if the financial condition of the borrower raises significant concern with regard to the borrower’s ability to service the debt in accordance with the terms of the loan agreement. Interest income is not accrued on these loans until the borrower’s financial condition and payment record demonstrate an ability to service the debt. Typically, a nonaccrual loan may return to accrual status if the borrower makes the loan current and then makes six consecutive payments as scheduled.

Real estate acquired as a result of foreclosure is classified as other real estate owned (“OREO”) until sold. OREO is recorded at the lower of cost or fair value less estimated selling costs. Costs associated with acquiring and improving a foreclosed property are usually capitalized to the extent that the carrying value does not exceed fair value less estimated selling costs. Holding costs are charged to expense. Gains and losses on the sale of OREO are charged to operations, as incurred.

The Company evaluates individual instruments for expected credit losses when those instruments do not share similar risk characteristics with instruments evaluated using a collective (pooled) basis. The Company evaluates the pooling methodology at least annually. Loans transition from defined segments for individual analysis when credit characteristics, or risk traits, change in a material manner. A loan is considered for individual analysis when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by the Company in determining individual analysis include payment status and the probability of collecting scheduled principal and interest payments when due. Nonaccrual loans that are $250,000 or higher and all purchased credit-deteriorated (PCD) loans are individually analyzed. For loans designated as nonaccrual with balances of less than $250,000, these loans are collectively evaluated, and, accordingly, are not separately identified for analysis or disclosures. Instruments will not be included in either collective or individual analysis. Individual analysis will establish an individually evaluated allowance for instruments in scope.

Asset Classification. Federal regulations and our policies require that we utilize an internal asset classification system as a means of reporting problem and potential problem assets. We have incorporated an internal asset classification system, substantially consistent with Federal banking regulations, as a part of our credit monitoring system. Federal banking regulations set forth a classification scheme for problem and potential problem assets as “substandard,” “doubtful” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated “special mention.”

When an insured institution classifies one or more assets, or portions thereof, as “substandard” or “doubtful,” it is required that a general valuation allowance for credit losses must be established in an amount deemed prudent by management. General valuation allowances represent loss allowances which have been established to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies one or more assets, or portions thereof, as “loss,” it is required either to establish a specific allowance for losses equal to 100% of the amount of the asset so classified or to charge off such amount.

A bank’s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by Federal bank regulators which can order the establishment of additional general or specific loss allowances. The Federal banking agencies have adopted an interagency policy statement on the allowance for credit losses. The policy statement provides guidance for financial institutions on both the responsibilities of management for the assessment and establishment of allowances and guidance for banking agency examiners to use in determining the adequacy of general valuation guidelines. Generally, the policy statement requires that institutions have effective systems and controls to identify, monitor and address asset quality problems; that management analyze all significant factors that affect the collectability of the portfolio in a reasonable manner; and that management establish acceptable allowance evaluation processes that meet the objectives set forth in the policy statement. Our management believes that, based on information currently available, our allowance for credit losses is maintained at a level which is reasonable and supportable to cover our current expected credit losses at each reporting date. However, actual realized losses over time are dependent upon future events and, as such, further additions, or subtractions, to the level of allowances for credit losses may become necessary.

The table below sets forth information on our classified loans and loans designated as special mention (excluding loans held-for-sale) as of the dates presented:

(dollars in thousands)	2024	2023
Classified Loans:		
Substandard	$ 72,399	$ 58,509
Doubtful	-	-
Loss	-	-
Total classified loans	72,399	58,509
Special Mention Loans	149,375	54,168
Total classified and special mention loans	$ 221,774	$ 112,677

During the year ended December 31, 2024, “substandard” loans and “doubtful” loans, which include lower credit quality loans which possess higher risk characteristics than “special mention” loans, increased to $72.4 million, or 0.9% of loans receivable, as of December 31, 2024 from $58.5 million, or 0.7% of loans receivable, as of December 31, 2023. The increase in substandard loans from the prior year was primarily due to a net increase in loans migrating to nonaccrual during the year ended December 31, 2024.

During the year ended December 31, 2024, “special mention” loans were $149.4 million, or 1.8% of loans receivable, while “special mention” loans as of December 31, 2023 were $54.2 million, or 0.8% of loans receivable. The increase in special mention loans from the prior year was primarily attributable to a loan modification of one commercial real estate relationship of $48.7 million and one commercial real estate relationship of $31.2 million. As of December 31, 2024, these relationships are paying as agreed and are all current.

Nonaccrual Loans, OREO and Loans 90 Days or Greater Past Due and Still Accruing

Nonperforming assets include nonaccrual loans and OREO. Nonaccrual loans represent loans on which interest accruals have been suspended. OREO represents property acquired through foreclosure in partial or full satisfaction of loans. Loans 90 days or greater past due and still accruing represent loans that are both well-secured and in the process of collection, as well as any purchased credit-deteriorated loans, net of fair value marks, which accrete income per the valuation at the date of acquisition. The Company considers charging off loans, or a portion thereof, at the time the Company deems it has exhausted all means of collection. For additional information regarding loans, see Note 5 of the Notes to the Consolidated Financial Statements.

The following table sets forth, as of the dates indicated, the amount of the Company's nonaccrual loans, other real estate owned ("OREO"), and loans past due 90 days or greater and still accruing:

	December 31, 2024	December 31, 2023
Nonaccrual loans	$ 57,310	$ 52,524
OREO	-	-
Total nonperforming assets	$ 57,310	$ 52,524
Loans 90 days or greater past due and still accruing	$ -	$ -
Nonaccrual loans to loans receivable	0.69%	0.63%
Nonperforming assets to total assets	0.58	0.53

Allowance for Credit Losses and Related Provision

The allowance for credit losses is an estimate of current expected credit losses considering available information relevant to assessing collectability of cash flows over the contractual term of the financial assets necessary to cover lifetime expected credit losses inherent in financial assets at the balance sheet date. The measurement of expected credit losses is applicable to loans receivable and investment securities measured at amortized cost. It also applies to off-balance-sheet credit exposures such as loan commitments and unused lines of credit. Loan losses are charged against the allowance for credit losses when the Bank believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for credit losses. The allowance is established through a provision for credit losses that is charged against income. The methodology for determining the allowance for credit losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the forecasted economic environment that could result in changes to the amount of the recorded allowance for credit losses. The expected credit loss for unfunded loan commitments is reported on the Consolidated Statement of Financial Condition in "Other Liabilities".

As of December 31, 2024, the allowance for credit losses for loans was $82.7 million, an increase of $0.7 million, or 0.9%, from $82.0 million as of December 31, 2023. The increase in the allowance for credit losses was primarily driven by $14.0 million in provision for credit losses on loans, partially offset by net charge-offs of $13.3 million.

The allowance for credit losses for loans as a percentage of loans receivable was 1.00% as of December 31, 2024 and 0.98% as of December 31, 2023.

Three-Year Statistical Allowance for Credit Losses for Loans

The following table reflects the relationship of loan volume, the provision and allowance for credit losses for loans and net charge-offs for the periods presented.

	December 31, 2024	December 31, 2023	December 31, 2022
Balance as of January 1,	$ 81,974	$ 90,513	$ 78,773
Charge-offs:			
Commercial	3,286	14,888	2,612
Commercial real estate	10,416	2,142	2,819
Residential real estate	-	18	9
Consumer	-	1	3
Total charge-offs	13,702	17,049	5,443
Recoveries:			
Commercial	392	10	54
Commercial real estate	31	-	-
Residential real estate	6	68	63
Consumer	-	8	-
Total recoveries	429	86	117
Net charge-offs	13,273	16,963	5,326
Provision for credit losses for loans	13,984	8,424	17,066
Balance at end of year	$ 82,685	$ 81,974	$ 90,513
Ratio of net charge-offs during the year to average loans receivable outstanding during the year	0.16%	0.23%	0.07%
Allowance for credit losses for loans as a percentage of loans receivable	1.00	0.98	1.12

For additional information regarding loans, see Note 5 of the Notes to the Consolidated Financial Statements.

Implicit in the lending function is the fact that credit losses will be experienced and that the risk of loss will vary with the type of loan being made, the creditworthiness of the borrower and prevailing economic conditions. The allowance for credit losses has been allocated in the table below according to the estimated amount deemed to be reasonably and supportably necessary to provide for the possibility of either lifetime expected losses or losses being incurred within the following categories of loans as of December 31, for each of the past three years.

The following table shows the amounts of the allowance allocable to such loans and the percentage of such loans to gross loans, along with the amount of the unallocated allowance. “Total Commercial”, as shown below, includes commercial, commercial real estate and commercial construction loans.

	Total Commercial		Residential Real Estate		Consumer		
	Amount of Allowance	% of Total Allowance	Amount of Allowance	% of Total Allowance	Amount of Allowance	% of Total Allowance	Total Allowance
			(dollars in thousands)				
2024	$ 78,119	94.5%	$ 4,561	5.5%	$ 5	0.0%	$ 82,685
2023	77,649	94.7%	4,320	5.2%	5	0.1%	81,974
2022	86,363	95.4%	4,143	4.6%	7	0.1%	90,513

Investments

For the year ended December 31, 2024, the average amortized cost of investment securities, including equity securities, increased by $6.8 million to approximately $733.3 million or 8.0% of average earning assets, from $726.5 million, or 7.9% of average earning assets, for the year ended December 31, 2023. As of December 31, 2024, the principal components of the investment portfolio are U.S. Treasury and Government Agency Obligations, Federal Agency Obligations including mortgage-backed securities, Obligations of U.S. States and Political Subdivisions, Corporate Bonds and other debt and equity securities.

During the year ended December 31, 2024, rate related factors increased investment revenue by $1.5 million and volume related factors increased investment revenue by $0.2 million. The tax-equivalent yield on investments increased by 21 basis points to 3.31% from a yield of 3.10% during the year ended December 31, 2023.

Investment securities available-for-sale are a part of the Company's interest rate risk management strategy and may be sold in response to changes in interest rates, changes in prepayment risk, liquidity management and other factors. The Company continues to reposition the investment portfolio as part of an overall corporate-wide strategy to produce reasonable and consistent margins where feasible, while attempting to limit risks inherent in the Company's Consolidated Statement of Condition.

As of December 31, 2024, net unrealized losses on securities available-for-sale, which are carried as a component of accumulated other comprehensive loss and included in stockholders' equity, net of tax, amounted to $69.6 million as compared with net unrealized losses of $57.8 million as of December 31, 2023. The increase in unrealized losses is predominately attributable to changes in market conditions and interest rates. Unrealized losses have not been recognized into income because the issuers are of high credit quality, we do not intend to sell, and it is likely that we will not be required to sell the securities prior to their anticipated recovery. The issuers continue to make timely principal and interest payments on the securities. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of applicable taxes. For additional information regarding the Company's investment portfolio, see Note 4, Note 16 and Note 21 of the Notes to the Consolidated Financial Statements.

During 2024, 2023 and 2022, there were no sales from the Company's available-for-sale portfolio. The Company had no impairment charges in 2024, 2023 and 2022. The table below illustrates the maturity distribution and weighted average yield on a tax-equivalent basis for amortized cost of our investment securities, excluding equity securities, as of December 31, 2024, on a contractual maturity basis.

(dollars in thousands)	Due in 1 year or less Amortized Cost	Due in 1 year or less Weighted Average Yield	Due after 1 year through 5 years Amortized Cost	Due after 1 year through 5 years Weighted Average Yield	Due after 5 years through 10 years Amortized Cost	Due after 5 years through 10 years Weighted Average Yield	Due after 10 years Amortized Cost	Due after 10 years Weighted Average Yield	Total Amortized Cost	Total Weighted Average Yield	Total Market Value
Investment Securities Available-for-Sale											
Federal Agency Obligations	$ -	-%	$ -	-%	$ 610	2.62%	$ 95,555	4.07%	$ 96,165	4.06%	$ 84,670
Residential Mortgage Pass-through Securities	10	2.79	190	3.33	2,220	3.34	437,025	3.26	439,445	3.26	378,838
Commercial Mortgage Pass-through Securities	-	-	-	-	3,941	1.54	21,048	2.90	24,989	2.69	20,892
Obligations of U.S. States and Political Subdivisions	1,034	5.33	3,305	4.40	9,507	3.67	127,929	3.65	141,775	3.68	122,404
Corporate Bonds and Notes	3,000	5.26	2,000	4.42	-	-	-	-	5,000	4.92	4,987
Asset-backed Securities	-	-	-	-	282	5.81	610	5.55	892	5.63	885
Other Securities	171	0.25	-	-	-	-	-	-	171	0.25	171
Total Investment Securities	$ 4,215	5.07%	$ 5,495	4.37%	$ 16,560	3.12%	$ 682,167	3.44%	$ 708,437	3.45%	$ 612,847

For information regarding the carrying value of the investment portfolio, see Note 4, Note 16 and Note 21 of the Notes to the Consolidated Financial Statements.

The securities listed in the table above are either rated investment grade by Moody's and/or Standard and Poor's or have shadow credit ratings from a credit agency supporting an investment grade and conform to the Company's investment policy guidelines. There were no municipal securities, or corporate securities, of any single issuer exceeding 10% of stockholders' equity as of December 31, 2024. Other securities do not have a contractual maturity and are included in the "Due in 1 year or less" maturity in the table above.

The following table sets forth the carrying value of the Company's investment securities, as of December 31, for each of the last three years.

	2024	2023
	(dollars in thousands)	
Investment Securities Available-for-Sale:		
Federal agency obligations	$ 84,670	$ 45,326
Residential mortgage pass-through securities	378,838	411,191
Commercial mortgage pass-through securities	20,892	21,564
Obligations of U.S. States and political subdivisions	122,404	132,705
Corporate bonds and notes	4,987	4,973
Asset-backed securities	885	1,238
Certificates of deposit	-	-
Other securities	171	165
Total	$ 612,847	$ 617,162

For other information regarding the Company's investment securities portfolio, see Note 4, Note 16 and Note 21 of the Notes to the Consolidated Financial Statements.

Interest Rate Sensitivity Analysis

The principal objective of our asset and liability management function is to evaluate the interest-rate risk included in certain balance sheet accounts; determine the level of risk appropriate given our business focus, operating environment, and capital and liquidity requirements; establish prudent asset concentration guidelines; and manage the risk consistent with Board approved guidelines. We seek to reduce the vulnerability of our operations to changes in interest rates, and actions in this regard are taken under the guidance of the Bank's Asset Liability Committee (the "ALCO"). The ALCO generally reviews our liquidity, cash flow needs, maturities of investments, deposits and borrowings, and current market conditions and interest rates.

The Company utilizes a number of strategies to manage interest rate risk including, but not limited to: (i) balancing the types and structures of interest-earning assets and interest-bearing liabilities by diversifying mix, coupons, maturities and/or repricing characteristics, (ii) reducing the overall interest rate sensitivity of liabilities by emphasizing core and/or longer-term deposits; utilizing FHLB advances and wholesale deposits for our interest rate risk profile, (iii) managing the investment portfolio for liquidity and interest rate risk profile, and (iv) entering into interest rate swap and cap agreements.

We currently utilize net interest income simulation and economic value of equity ("EVE") models to measure the potential impact to the Bank of future changes in interest rates. As of December 31, 2024, and December 31, 2023, the results of the models are monitored by guidelines prescribed by our Board of Directors. If model results were to fall outside prescribed ranges, action, including additional monitoring and reporting to the Board, would be required by the ALCO and Bank's management.

The net interest income simulation model attempts to measure the change in net interest income over the next one-year period, and over the next three-year period on a cumulative basis, assuming certain changes in the general level of interest rates. The year over year change in the interest rate risk profile primarily reflects updated model assumptions in response to dynamically changing market conditions, including higher beta assumptions, as well as a positioning of the balance sheet to be more liability sensitive.

Based on our model, which was run as of December 31, 2024, we estimated that over the next one-year period a 200 basis-point instantaneous increase in the general level of interest rates would decrease our net interest income by 8.02%, while a 100 basis-point instantaneous decrease in interest rates would increase net interest income by 3.56%. As of December 31, 2023, we estimated that over the next one-year period a 200 basis-point instantaneous increase in the general level of interest rates would decrease our net interest income by 9.25%, while a 100 basis-point instantaneous decrease in interest rates would increase net interest income by 5.34%.

Based on our model, which was run as of December 31, 2024, we estimated that over the next three years, on a cumulative basis, a 200 basis-point instantaneous increase in the general level of interest rates would decrease our net interest income by 2.08%, while a 100 basis-point instantaneous decrease in interest rates would increase net interest income by 0.37%. As of December 31, 2023, we estimated that over the next three years, on a cumulative basis, a 200 basis-point instantaneous increase in the general level of interest rates would decrease our net interest income by 5.68%, while a 100 basis-point instantaneous decrease in interest rates would increase net interest income by 4.29%.

An EVE analysis is also used to dynamically model the present value of asset and liability cash flows with instantaneous rate shocks of up 200 basis points and down 100 basis points. The economic value of equity is likely to be different as interest rates change. Our EVE as of December 31, 2024, would decrease by 7.87% with an instantaneous rate shock of up 200 basis points, and increase by 1.67% with an instantaneous rate shock of down 100 basis points. Our EVE as of December 31, 2023, would decrease by 15.09% with an instantaneous rate shock of up 200 basis points, and increase by 5.75% with an instantaneous rate shock of down 100 basis points.

The change in interest rate sensitivity was impacted by changes in overall market interest rates, updates to certain model assumptions, changes in short and intermediate-term fixed rate funding and by the deposit mix shift into certificates of deposit, from both noninterest-bearing and interest-bearing non-maturity deposits.

The following table illustrates the most recent results for EVE and NII as of December 31, 2024.

Interest Rates (basis points)	Estimated EVE	Estimated Change in EVE Amount	Estimated Change in EVE %	Interest Rates (basis points)	Estimated NII	Estimated Change in NII Amount	Estimated Change in NII %
+300	$ 1,174,401	$ (163,250)	(12.20)	+300	$ 258,021	$ (36,732)	(12.46)
+200	1,232,430	(105,221)	(7.87)	+200	271,126	(23,627)	(8.02)
+100	1,291,769	(45,882)	(3.43)	+100	284,180	(10,573)	(3.59)
0	1,337,651	-	-	0	294,753	-	-
-100	1,359,994	22,343	1.67	-100	305,248	10,495	3.56
-200	1,370,518	32,867	2.46	-200	316,695	21,942	7.44
-300	1,364,153	26,502	1.98	-300	330,191	35,438	12.02

Certain model limitations are inherent in the methodology used in the EVE and net interest income measurements. The models require the making of certain assumptions which may tend to oversimplify the way actual yields and costs respond to changes in market interest rates. The models assume that the composition of the Company's interest sensitive assets and liabilities existing at the beginning of a period remain constant over the period being measured, thus they do not consider the Company's strategic plans, or any other steps it may take to respond to changes in rates over the forecasted period of time. Additionally, the models assume immediate changes in interest rates, based on yield curves as of a point-in-time, which are reflected in a parallel, instantaneous and uniform manner across all yield curves, when in reality changes may rarely be of this nature. The models also utilize data derived from historical performance and as interest rates change the actual performance of loan prepayments, rate sensitivities, and average life assumptions may deviate from assumptions utilized in the models and can impact the results. Accordingly, although the above measurements provide an indication of the Company's interest rate risk exposure at a particular point in time, such measurements are not intended to provide a precise forecast of the effect of changes in market interest rates. Given the unique nature of the post-pandemic interest rate environment, and the speed with which interest rates have been changing, the projections noted above on the Company's EVE and net interest income and can be expected to differ from actual results.

Estimates of Fair Value

The estimation of fair value is significant to certain assets of the Company, including available-for-sale investment securities. These are all recorded at either fair value or the lower of cost or fair value. Fair values are volatile and may be influenced by a number of factors. Circumstances that could cause estimates of the fair value of certain assets and liabilities to change include a change in prepayment speeds, expected cash flows, credit quality, discount rates, or market interest rates. Fair values for most available-for-sale investment securities are based on quoted market prices. If quoted market prices are not available, fair values are based on judgments regarding future expected loss experience, current economic condition risk characteristics of various financial instruments, and other factors. See Note 21 of the Notes to Consolidated Financial Statements for additional discussion.

These estimates are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Impact of Inflation and Changing Prices

The financial statements and notes thereto presented elsewhere herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the operations; unlike most industrial companies, nearly all of the Company's assets and liabilities are monetary. As a result, interest rates have a greater impact on performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Liquidity

Liquidity is a measure of a bank's ability to fund loans, withdrawals or maturities of deposits, and other cash outflows, in a cost-effective manner. Our principal sources of funds are deposits, scheduled amortization and prepayments of loan principal, maturities of investment securities, and funds provided by operations. While scheduled loan payments and maturing investments are relatively predictable sources of funds, deposit flow and loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

As of December 31, 2024, the amount of liquid assets remained at a level management deemed adequate to ensure that, on a short and long-term basis, contractual liabilities, depositors' withdrawal requirements, and other operational and client credit needs could be satisfied. As of December 31, 2024, liquid assets (cash and due from banks, interest-bearing deposits with banks and unencumbered investment securities) were $799.7 million, which represented 8.1% of total assets and 9.4% of total deposits and borrowings, compared to $516.3 million as of December 31, 2023, which represented 5.2% of total assets and 6.1% of total deposits and borrowings on such date. As of December 31, 2024, not included in the above liquid assets were securities with a market value of $102.5 million which were pledged to the Federal Home Loan Bank, which support aggregate unutilized borrowing capacity of $95.2 million as of December 31, 2024.

The Bank is a member of the Federal Home Loan Bank of New York and, based on available qualified collateral as of December 31, 2024, had the ability to borrow $2.5 billion. The Bank also has a credit facility established with the Federal Reserve Bank of New York for direct discount window borrowings based on pledged collateral and had the ability to borrow $1.6 billion as of December 31, 2024. In addition, as of December 31, 2024, the Bank had in place borrowing capacity of $305 million through correspondent banks and other unsecured borrowing lines. As of December 31, 2024, the Bank had aggregate available and unused credit of approximately $3.0 billion, which represents the aforementioned facilities totaling $4.4 billion net of $1.4 billion in outstanding borrowings and letters of credit. As of December 31, 2024, outstanding commitments for the Bank to extend credit were approximately $1.1 billion.

Cash and cash equivalents totaled $356.5 million as of December 31, 2024, increasing by $113.8 million from $242.7 million as of December 31, 2023. Operating activities provided $60.7 million in net cash. Investing activities provided $55.2 million in net cash, primarily reflecting a decrease in loans. Financing activities used $2.1 million in net cash, primarily reflecting a net increase in deposits of $284.0 million, partially offset by a decrease in net borrowings of $245.5 million and $33.3 million in cash dividends paid.

Deposits

Deposits are our primary source of funds. Noninterest bearing demand deposit products include “Totally Free Checking” and “Simply Better Checking” for consumer clients and “Small Business Checking” and “Analysis Checking” for commercial clients. Interest-bearing checking accounts require minimum balances for both consumer and commercial clients and include “Consumer Interest Checking” and “Business Interest Checking”. Money market accounts consist of products that provide a market rate of interest to depositors. Our savings accounts offer paper and/or electronic statements. Time deposits ("TD") are for non-retirement and IRA accounts, generally with initial maturities ranging from 31 days to 60 months, and brokered TDs, which we use for asset liability management purposes and to supplement other sources of funding. Many of our deposit products can be accessed through both our branches and online to provide ease of access to our clients and communities. CDARS/ICS reciprocal deposits are offered based on the Bank’s participation in the IntraFi Network LLC ("the Network"). Clients, who are Federal Deposit Insurance Corporation (“FDIC”) insurance sensitive, are able to place large dollar deposits with the Company and the Company utilizes CDARS to place those funds into certificates of deposit issued by other banks in the Network. This occurs in increments of less than the FDIC insurance limits so that both the principal and interest are eligible for FDIC insurance coverage in amounts larger than the insured dollar amount. Unless certain conditions are satisfied, the FDIC considers these funds as brokered deposits for certain reporting requirements. The Bank also utilizes internet listing services deposits which are obtained through the use of websites such as Rateline or QwickRate.

The following table sets forth the year-to-date average balances and weighted average rates of our deposits for the periods indicated.

	Year-to-Date Average December 31, 2024		Year-to-Date Average December 31, 2023		Year-to-Date Average December 31, 2022	
	Balance	Rate	Balance	Rate	Balance	Rate
(dollars in thousands)						
Demand, noninterest-bearing	$ 1,268,839	-%	$ 1,332,809	-%	$ 1,612,040	-%
Demand, interest-bearing & NOW	3,253,364	3.50	3,292,907	3.17	3,284,866	0.80
Savings	497,753	3.28	374,189	2.37	417,907	0.70
Time	2,564,670	4.47	2,529,892	3.67	1,449,826	1.47
Average Total Deposits	$ 7,584,626	3.23%	$ 7,529,797	2.74%	$ 6,764,639	0.75%

Average total deposits increased by $54.8 million, or 0.7%, during the year ended December 31, 2024 when compared to the year ended December 31, 2023. The increase in total average deposits was primarily due to increases in savings deposits of $123.6 million and time deposits of $34.9 million, partially offset by decreases in noninterest-bearing demand deposits of $64.0 million and interest-bearing demand deposits of $39.5 million.

The increase in average time deposits of $34.9 million during the year ended December 31, 2024 was attributed to increases in retail time deposits of $117.9 million and internet listing services of $3.0 million, partially offset by decreases in CDARs of $39.9 million and nonreciprocal brokered time deposits of $46.0 million.

The decrease in year-to-date average noninterest-bearing demand deposits was consistent with industry trends reflecting higher levels of interest rates which resulted in migration of noninterest-bearing deposits to interest-bearing transaction deposits.

Average demand deposits (including interest-bearing and noninterest-bearing) during the year ended December 31, 2024 included $1.1 billion in ICS reciprocal deposits, compared to $0.9 billion during the year ended December 31, 2023. Average time deposits during the year ended December 31, 2023 included $71.0 million in CDARS, compared to $110.9 million during the year ended December 31, 2023. The decrease in CDARS was attributed to maturities that did not renew.

The beta, which is the measurement of deposit rate sensitivity in response to market rate changes, on nonreciprocal brokered deposits tends to be higher than that of ICS and CDARS reciprocal deposits, as nonreciprocal brokered time deposits are more directly correlated to prevailing market rates of interest, while ICS and CDARs reciprocal deposits reflect the Bank’s relationship with reciprocal deposit clients and are more driven by a desire for FDIC insurance coverage than market leading rates.

The following table sets forth information related to the uninsured deposit balances of the Bank.

(dollars in thousands)	As of December 31, 2024 Balance	As of December 31, 2023 Balance
As stated in FFIEC 041-Consolidated Report of Condition, schedule RC-O:		
Total Bank unconsolidated deposits (including affiliate and subsidiary accounts)	$ 11,196,115	$ 11,243,254
Estimated uninsured deposits	7,536,202	6,152,454
The Bank, on a consolidated basis:		
Total deposits	$ 6,883,241	$ 7,536,202
Estimated uninsured deposits (excluding affiliate and subsidiary accounts)	2,712,798	2,388,545

The following table sets forth the distribution of total actual deposit accounts, by account types for the periods indicated.

	December 31, 2024		December 31, 2023	
(dollars in thousands)	Amount	% of total	Amount	% of total
Demand, noninterest-bearing	$ 1,422,044	18.2%	$ 1,259,364	16.7%
Demand, interest-bearing & NOW	3,248,731	41.5	3,326,989	44.1
Savings	592,139	7.6	418,478	5.6
Time	2,557,200	32.7	2,531,371	33.6
Total Deposits	$ 7,820,114	100.0%	$ 7,536,202	100.0%

Total deposits increased by $283.9 million, or 3.8%, to $7.8 billion as of December 31, 2024 from $7.5 billion as of December 31, 2023. The increase in total deposits was primarily due to an increase in savings deposits of $173.7 million, an increase in noninterest-bearing demand of $162.7 million and an increase in time deposits of $25.9 million, partially offset by a decrease in interest-bearing demand of $78.3 million.

Total interest-bearing demand deposits as of both December 31, 2024 and December 31, 2023 include $1.0 billion in ICS reciprocal deposits. Total time deposits as of December 31, 2024 include $60.3 million in CDARS, compared to $96.0 million as of December 31, 2023.

Included in time deposits were nonreciprocal brokered deposits of $907.2 million as of December 31, 2024, which decreased from $915.5 million as of December 31, 2023.

As of December 31, 2024, we held $695.7 million of time deposits balances greater than $250,000. The following table provides information on the maturity distribution of the time deposits with balances greater than $250,000 as of December 31, 2024:

(dollars in thousands)	December 31, 2024
3 months or less	$ 223,840
Over 3 to 6 months	225,561
Over 6 to 12 months	221,962
Over 12 months	24,384
Total	$ 695,747

Federal Home Loan Bank Advances

Federal Home Loan Bank advances are secured, under the terms of a blanket collateral agreement, primarily by commercial mortgage loans. As of December 31, 2024, the Company had a gross carrying value of $688.1 million, excluding a net fair value discount of $36 thousand, in notes outstanding at a weighted average interest rate of 4.49%. As of December 31, 2023, the Company had a gross carrying value of $933.6 million, excluding a net fair value discount of $58 thousand, in notes outstanding at a weighted average interest rate of 5.41%.

Contractual Obligations and Other Commitments

The following table summarizes contractual obligations as of December 31, 2024 and the effect such obligations are expected to have on liquidity and cash flows in future periods.

	Total	Less than 1 year	1 – 3 years	4 – 5 years	Over 5 years
			(dollars in thousands)		
December 31, 2024					
Contractual obligations:					
Operating lease obligations	$ 17,851	$ 3,576	$ 6,370	$ 3,525	$ 4,380
Other contractual obligations:					
Time Deposits	2,557,200	2,202,302	345,612	9,286	-
Federal Home Loan Bank advances and repurchase agreements	688,064	660,493	2,310	25,000	261
Finance lease	1,381	353	706	322	-
Subordinated debentures, net of debt issuance costs	79,944	-	-	-	79,944
Total other contractual obligations	3,326,589	2,863,148	348,628	34,608	80,205
Other commercial commitments – off-balance sheet:					
Commitments under commercial loans and lines of credit	748,082	562,656	145,467	9,464	30,495
Home equity and other revolving lines of credit	41,365	7,977	16,369	10,110	6,909
Outstanding commercial mortgage loan commitments	345,911	64,327	277,879	2,935	770
Standby letters of credit	41,466	29,399	10,067	2,000	-
Overdraft protection lines	818	414	181	7	216
Total other commercial commitments-off balance sheet	1,177,642	664,773	449,963	24,516	38,390
Total contractual obligations and other commitments	$ 4,522,082	$ 3,531,497	$ 804,961	$ 62,649	$ 122,975

Capital

The maintenance of a solid capital foundation continues to be a primary goal for the Company. Accordingly, capital plans, stock repurchases, and dividend policies are monitored on an ongoing basis. The most important objective of the capital planning process is to balance effectively the retention of capital to support future growth and the goal of providing stockholders with an attractive long-term return on their investment.

United States bank regulators have issued guidelines establishing minimum capital standards related to the level of assets and off balance-sheet exposures adjusted for credit risk. Specifically, these guidelines categorize assets and off balance-sheet items into risk-weightings and require banking institutions to maintain a minimum ratio of capital to risk-weighted assets. As of December 31, 2024, the Company’s CET 1, Tier 1 and total risk-based capital ratios were 10.97%, 12.29% and 14.11%, respectively. For information on risk-based capital and regulatory guidelines for the Parent Corporation and its bank subsidiary, see Note 15 to the Consolidated Financial Statements.

The foregoing capital ratios are based in part on specific quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the bank regulators regarding capital components, risk weightings, and other factors.

Subordinated Debentures

During 2003, the Company formed a statutory business trust, which exists for the exclusive purpose of (i) issuing Trust Securities representing undivided beneficial interests in the assets of the Trust; (ii) investing the gross proceeds of the Trust securities in junior subordinated deferrable interest debentures (subordinated debentures) of the Company; and (iii) engaging in only those activities necessary or incidental thereto. On December 19, 2003, Center Bancorp Statutory Trust II, a statutory business trust and wholly-owned subsidiary of the Parent Corporation issued $5.0 million of MMCapS capital securities to investors due on January 23, 2034. The capital securities presently qualify as Tier I capital. The trust loaned the proceeds of this offering to the Company and received in exchange $5.2 million of the Parent Corporation's subordinated debentures. The subordinated debentures are redeemable in whole or in part prior to maturity. The floating interest rate on the subordinate debentures was previously three-month LIBOR plus 2.85% and reprices quarterly. Upon the cessation of publication of LIBOR rates and pursuant to the Federal LIBOR Act and Federal Reserve regulations implementing the Act, applicable US Dollar LIBOR indexed instruments like the Company's outstanding $5.0 million of MMCapS capital securities converted effective June 30, 2023 to a new index based on CME Term SOFR, as defined in the LIBOR Act, plus a tenor spread adjustment, which is referred to as the Benchmark Replacement. Therefore, effective for quarterly interest rate resets after July 3, 2023 the subordinated debentures' floating rate will be three-month CME Term SOFR plus 2.85% plus a tenor spread of 0.26161%. The rate as of December 31, 2024 was 7.70%. These subordinated debentures and the related income effects are not eliminated in the consolidated financial statements, as the statutory business trust is not consolidated in accordance with FASB ASC 810-10. "Consolidation" Distributions on the subordinated debentures owned by the subsidiary trust have been classified as interest expense in the Consolidated Statements of Income.

During June 2020, the Parent Corporation issued $75 million in aggregate principal amount of fixed-to-floating rate subordinated notes (the "2020 Notes"). The 2020 Notes bear interest at 5.75% annually from, and including, the date of initial issuance to, but excluding, June 15, 2025 or the date of earlier redemption, payable semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 2020. From and including June 15, 2025 through maturity or earlier redemption, the interest rate shall reset quarterly to an interest rate per annum equal to a benchmark rate, which is expected to be Three-Month Term SOFR (as defined in the Second Supplemental Indenture), plus 560.5 basis points, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on June 15, 2025. Notwithstanding the foregoing, if the benchmark rate is less than zero, then the benchmark rate shall be deemed to be zero.

During January 2018, the Parent Corporation issued $75 million in aggregate principal amount of fixed-to-floating rate subordinated notes (the "2018 Notes"). The 2018 Notes bore interest at a rate that resets quarterly to an interest rate per annum equal to the then current three-month LIBOR rate plus 284 basis points (2.84%) payable quarterly in arrears. Interest on the 2018 Notes was to be paid on February 1, May 1, August 1, and November 1, of each year to but excluding the stated maturity date, unless in any case previously redeemed. The 2018 Notes were redeemed in full on February 1, 2023.

Preferred Stock

On August 19, 2021, the Company completed an underwritten public offering of 115,000 shares, or $115 million in aggregate liquidation preference, of its depositary shares, each representing a 1/40th interest in a share of the Company's 5.25% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series A, no par value, with a liquidation preference of $1,000 per share. The net proceeds received from the issuance of preferred stock at the time of closing were $110.9 million.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Sensitivity

Market Risk

Interest rate risk management is our primary market risk. See "Item 7- Management's Discussion and Analysis of Financial Condition and Results of Operation- Interest Rate Sensitivity Analysis" herein for a discussion of our management of our interest rate risk.

PART II

Item 8. Financial Statements and Supplementary Data

All Financial Statements:

The following financial statements are filed as part of this report under Item 8 - “Financial Statements and Supplementary Data.”

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (PCAOB ID 173)

Shareholders and the Board of Directors of
ConnectOne Bancorp, Inc. and Subsidiaries
Englewood Cliffs, New Jersey

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying statements of financial condition of ConnectOne Bancorp, Inc. and Subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses – Qualitative Loss Factors on Commercial and Commercial Real Estate Loans

As described in Note 1a to the consolidated financial statements, the Company accounts for credit losses under ASC 326, Financial Instruments – Credit Losses. ASC 326 requires the measurement of expected lifetime credit losses for financial assets measured at amortized cost at the reporting date. As of December 31, 2024, the allowance for credit losses ("ACL") on loans was $82,685,000.

Management employs a process and methodology to estimate the ACL on pooled loans that evaluates both quantitative and qualitative factors. The methodology for evaluating quantitative factors includes pooling loans into portfolio segments for loans that share similar characteristics. Pooled loan portfolio segments include commercial, commercial real estate, commercial construction, residential real estate, and consumer loans.

For pooled loans, the Company utilizes a discounted cash flow ("DCF") methodology to estimate credit losses over the expected life of the loan. The DCF methodology combines probability of default, the loss given default, and prepayment speed assumptions to estimate a reserve for each loan. The quantitative loss rates are adjusted by macroeconomic scenarios and reverts, on a straight-line basis, to average historical losses after the forecasted periods. The sum of all the loan level reserves is aggregated for each portfolio segment and a quantitative loss factor is derived. The quantitative factors are also supplemented by certain qualitative loss factors reflecting management's view of how losses may vary from those represented by quantitative loss rates. Qualitative loss factors, for each loan segment within the portfolio, incorporate consideration for a minimum to maximum range for qualitative loss factor derived from either the Company's historical loss experience of peer group historical loss experience. Changes in these assumptions could have a material effect on the Company's financial results.

We identified auditing the qualitative component of the ACL on pooled loans in the commercial and commercial real estate loan segments as a critical audit matter because the methodology to determine the estimate of credit losses uses subjective judgments by management and is subject to material variability.

Performing audit procedures to evaluate the qualitative loss factors on the commercial and commercial real estate loan segments involved a high degree of auditor judgment and required significant effort, including the need to involve more experienced audit personnel including the use of internal specialists.

The primary procedures we performed to address this critical audit matter included:

- Testing the effective of controls over the evaluation of the ACL on pooled loans, including controls addressing:
  - Methodology and accounting policies.
  - Data inputs, judgments and calculations used to determine the qualitative loss factors.
  - Information technology general controls and application controls.
  - Management's evaluation of qualitative loss factors.

- Substantively, testing management's process, including evaluating their judgments and assumptions, for developing the ACL on pooled loans, which included:
  - Evaluating the appropriateness of the Company's accounting policies, judgments and elections.
  - Testing the mathematical accuracy of the calculation.
  - Testing the completeness and accuracy of data used in the calculation including utilizing internal specialists to assist in testing the mathematical accuracy of the underlying peer data used to develop the maximum loss factors.
  - Evaluating the reasonableness of management's judgments related to qualitative loss factors to determine if they are calculated to conform with management's policies and were consistently applied period over period.

/s/ Crowe LLP

We have served as the Company's auditor since 2014.

Livingston, New Jersey
February 21, 2025

CONNECTONE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2024	December 31, 2023
(in thousands, except share data)		
ASSETS		
Cash and due from banks	$ 57,816	$ 61,421
Interest-bearing deposits with banks	298,672	181,293
Cash and cash equivalents	356,488	242,714
Investment securities	612,847	617,162
Equity securities	20,092	18,564
Loans held-for-sale	743	-
Loans receivable	8,274,810	8,345,145
Less: Allowance for credit losses - loans	82,685	81,974
Net loans receivable	8,192,125	8,263,171
Investment in restricted stock, at cost	40,449	51,457
Bank premises and equipment, net	28,447	30,779
Accrued interest receivable	45,498	49,108
Bank owned life insurance	243,672	237,644
Right of use operating lease assets	14,489	12,007
Goodwill	208,372	208,372
Core deposit intangibles	4,639	5,874
Other assets	111,739	118,751
Total assets	$ 9,879,600	$ 9,855,603
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 1,422,044	$ 1,259,364
Interest-bearing	6,398,070	6,276,838
Total deposits	7,820,114	7,536,202
Borrowings	688,064	933,579
Subordinated debentures, net of debt issuance costs	79,944	79,439
Operating lease liabilities	15,498	13,171
Other liabilities	34,276	76,592
Total liabilities	8,637,896	8,638,983
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred Stock, no par value;		
$1,000 per share liquidation preference; Authorized 5,000,000 shares; issued 115,000 shares as of December 31, 2024 and as of December 31, 2023; outstanding 115,000 shares as of December 31, 2024 and as of December 31, 2023	110,927	110,927
Common stock, no par value:		
Authorized 100,000,000 shares; issued 42,255,865 shares as of December 31, 2024 and 42,122,948 shares as of December 31, 2023; outstanding 38,370,317 shares as of December 31, 2024 and 38,519,770 as of December 31, 2023	586,946	586,946
Additional paid-in capital	36,347	33,182
Retained earnings	631,446	590,970
Treasury stock, at cost 3,885,548 shares as of December 31, 2024 and 3,603,178 shares as of December 31, 2023	(76,116)	(70,296)
Accumulated other comprehensive loss	(47,846)	(35,109)
Total stockholders' equity	1,241,704	1,216,620
Total liabilities and stockholders' equity	$ 9,879,600	$ 9,855,603

See the accompanying notes to the consolidated financial statements.

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CONNECTONE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2024	2023	2022
(dollars in thousands, except for per share data)			
Interest income:			
Interest and fees on loans	$ 477,859	$ 453,992	$ 352,993
Interest and dividends on investment securities:			
Taxable	18,561	16,666	12,712
Tax-exempt	4,503	4,641	3,893
Dividends	4,349	3,662	1,655
Interest on federal funds sold and other short-term investments	12,617	11,104	2,493
Total interest income	517,889	490,065	373,746
Interest expense:			
Deposits	244,846	206,176	50,561
Borrowings	25,706	28,783	21,066
Total interest expense	270,552	234,959	71,627
Net interest income	247,337	255,106	302,119
Provision for credit losses	13,800	8,200	17,750
Net interest income after provision for credit losses	233,537	246,906	284,369
Noninterest income:			
Deposit, loan and other income	6,861	6,098	7,472
Income on bank owned life insurance	7,142	6,316	5,597
Net gains on sale of loans held-for-sale	2,723	1,704	1,695
Net gains (losses) on equity securities	2	(117)	(1,521)
Total noninterest income	16,728	14,001	13,243
Noninterest expense:			
Salaries and employee benefits	90,053	88,223	80,717
Occupancy and equipment	11,615	10,884	9,865
FDIC insurance	7,200	8,365	2,881
Professional and consulting	8,447	7,547	8,053
Marketing and advertising	2,420	1,965	1,692
Information technology and communications	17,574	14,340	11,108
Merger expenses	1,605	-	-
Branch closing expenses	477	-	-
Amortization of core deposit intangible	1,235	1,438	1,685
Increase in value of acquisition price	-	-	1,516
Other expenses	11,172	11,187	8,871
Total noninterest expenses	151,798	143,949	126,388
Income before income tax expense	98,467	116,958	171,224
Income tax expense	24,674	29,955	46,013
Net income	73,793	87,003	125,211
Preferred dividends	6,036	6,036	6,037
Net income available to common stockholders	$ 67,757	$ 80,967	$ 119,174
Earnings per common share:			
Basic	$ 1.77	$ 2.08	$ 3.03
Diluted	1.76	2.07	3.01

See the accompanying notes to the consolidated financial statements.

CONNECTONE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
(dollars in thousands)	**2024**	**2023**	**2022**
Net income	$ 73,793	$ 87,003	$ 125,211
Other comprehensive income (loss), net of tax:			
Net unrealized holding (losses) gains on available-for-sale-securities arising during period	(11,856)	3,940	(61,291)
Net unrealized (losses) gains on cash flow hedges	(2,329)	(7,550)	29,954
Pension plan adjustments	1,448	865	377
Total other comprehensive loss, net of tax	(12,737)	(2,745)	(30,960)
Total comprehensive income	$ 61,056	$ 84,258	$ 94,251

See the accompanying notes to the consolidated financial statements.

CONNECTONE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except share and per share data)	Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of January 1, 2022	**$ 110,927**	**$ 586,946**	**$ 27,246**	**$ 440,169**	**$ (39,672)**	**$ (1,404)**	**$ 1,124,212**
Net income	-	-	-	125,211	-	-	125,211
Other comprehensive loss, net of tax	-	-	-	-	-	(30,960)	(30,960)
Cash dividends declared on preferred stock ($ 1.3125 per share)	-	-	-	(6,037)	-	-	(6,037)
Cash dividends declared on common stock ($ 0.595 per share)	-	-	-	(23,428)	-	-	(23,428)
Exercise of stock options (15,086 shares)	-	-	124	-	-	-	124
Restricted stock grants, net of forfeitures (53,169 shares)	-	-	-	-	-	-	-
Stock grants (153 shares)	-	-	-	-	-	-	-
Net shares issued in satisfaction of deferred stock units earned (31,383 shares)	-	-	-	-	-	-	-
Net shares issued in satisfaction of performance units earned (22,350 shares)	-	-	-	-	-	-	-
Share redemption for tax withholdings on performance units and deferred stock units earned	-	-	(2,133)	-	-	-	(2,133)
Repurchase of stock (447,108 shares)	-	-	-	-	(13,127)	-	(13,127)
Stock-based compensation expense	-	-	4,889	-	-	-	4,889
Balance as of December 31, 2022	**$ 110,927**	**$ 586,946**	**$ 30,126**	**$ 535,915**	**$ (52,799)**	**$ (32,364)**	**$ 1,178,751**
Net income	-	-	-	87,003	-	-	87,003
Other comprehensive loss, net of tax	-	-	-	-	-	(2,745)	(2,745)
Cash dividends declared on preferred stock ($ 1.3125 per share)	-	-	-	(6,036)	-	-	(6,036)
Cash dividends declared on common stock ($ 0.665 per share)	-	-	-	(25,912)	-	-	(25,912)
Exercise of stock options (7,388 shares)	-	-	96	-	-	-	96
Restricted stock grants, net of forfeitures (84,057 shares)	-	-	-	-	-	-	-
Stock grants (995 shares)	-	-	-	-	-	-	-
Net shares issued in satisfaction of deferred stock units earned (36,006 shares)	-	-	-	-	-	-	-
Net shares issued in satisfaction of performance units earned (52,353 shares)	-	-	-	-	-	-	-
Share redemption for tax withholdings on performance units and deferred stock units earned	-	-	(1,900)	-	-	-	(1,900)
Repurchase of stock (904,152 shares, including 1% excise tax)	-	-	-	-	(17,497)	-	(17,497)
Stock-based compensation expense	-	-	4,860	-	-	-	4,860
Balance as of December 31, 2023	**$ 110,927**	**$ 586,946**	**$ 33,182**	**$ 590,970**	**$ (70,296)**	**$ (35,109)**	**$ 1,216,620**
Net income	-	-	-	73,793	-	-	73,793
Other comprehensive loss, net of tax	-	-	-	-	-	(12,737)	(12,737)
Cash dividends declared on preferred stock ($ 1.3125 per share)	-	-	-	(6,036)	-	-	(6,036)
Cash dividends declared on common stock ($ 0.71 per share)	-	-	-	(27,281)	-	-	(27,281)
Restricted stock grants, net of forfeitures (69,772 shares)	-	-	-	-	-	-	-
Stock grants (1,533 shares)	-	-	-	-	-	-	-
Net shares issued in satisfaction of deferred stock units earned (37,542 shares)	-	-	-	-	-	-	-
Net shares issued in satisfaction of performance units earned (24,070 shares)	-	-	-	-	-	-	-
Share redemption for tax withholdings on performance units and deferred stock units earned	-	-	(1,403)	-	-	-	(1,403)
Repurchase of stock (282,370 shares)	-	-	-	-	(5,820)	-	(5,820)
Stock-based compensation expense	-	-	4,568	-	-	-	4,568
Balance as of December 31, 2024	**$ 110,927**	**$ 586,946**	**$ 36,347**	**$ 631,446**	**$ (76,116)**	**$ (47,846)**	**$ 1,241,704**

See the accompanying notes to the consolidated financial statements.

CONNECTONE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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	Years Ended December 31, 2024	2023	2022
Cash flows from operating activities			
Net income	$ 73,793	$ 87,003	$ 125,211
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	4,422	4,503	3,863
Provision for credit losses	13,800	8,200	17,750
Amortization of intangibles	1,235	1,438	1,685
Net accretion of loans	(879)	(1,904)	(3,178)
Accretion on bank premises	(49)	(49)	(49)
Accretion on deposits	(88)	(279)	(777)
Amortization on borrowings	22	21	40
Net deferred income tax (benefit) expense	(2,040)	4,135	(403)
Stock-based compensation	4,568	4,860	4,889
Change in fair value of equity securities, net	(2)	117	1,521
Gain on sale of loans held-for-sale, net	(2,723)	(1,704)	(1,695)
Net losses on disposition of fixed assets	477	-	22
Gain on sale of other real estate owned	-	22	6
Loans originated for resale	(29,340)	(26,153)	(21,128)
Proceeds from sale of loans held-for-sale	31,320	36,645	28,341
Increase in cash surrender value of bank owned life insurance	(7,142)	(6,316)	(5,597)
Amortization of premiums on investment securities, net	793	1,030	2,155
Amortization of subordinated debt issuance costs	505	1,184	304
Decrease (increase) in accrued interest receivable	3,610	(3,046)	(11,910)
Net change in operating leases	(155)	(54)	(182)
Decrease (increase) in other assets	8,691	(7,514)	(12,413)
(Increase) decrease in other liabilities	(40,118)	(9,248)	48,322
Net cash provided by operating activities	60,700	92,891	176,777
Cash flows from investing activities			
Investment securities available-for-sale:			
Purchases	(80,519)	(42,143)	(339,059)
Maturities, calls and principal repayments	69,651	64,550	150,287
Net redemptions (purchases) of restricted investment in bank stocks	11,008	(4,853)	(18,778)
Purchases of equity securities	(1,526)	(2,870)	(3,538)
Loans held-for-sale payments	-	25	54
Net decrease (increase) in loans	57,941	(255,556)	(1,292,938)
Cash flow hedge premium payment	-	-	(6,965)
Purchases of premises and equipment	(3,793)	(7,433)	(3,301)
Purchases of bank owned life insurance	-	-	(30,000)
Proceeds from BOLI death benefits	1,114	-	-
Proceeds from disposition of fixed assets	1,275	-	697
Proceeds from sale of other real estate owned	-	242	309
Net cash provided by (used in) investing activities	55,151	(248,038)	(1,543,232)
Cash flows from financing activities			
Net increase in deposits	284,000	179,859	1,024,446
Repayment of subordinated debt	-	(75,000)	-
Advances of Federal Holme Loan Bank ("FHLB") borrowings	866,529	2,946,500	4,203,181
Repayments of FHLB borrowings	(1,112,066)	(2,870,564)	(3,813,792)
Cash dividends paid on preferred stock	(6,036)	(6,036)	(6,037)
Cash dividends paid on common stock	(27,281)	(25,912)	(23,428)
Purchase of treasury stock	(5,820)	(17,497)	(13,127)
Proceeds from exercise of stock options	-	96	124
Share redemption for tax withholdings on performance units and deferred stock units earned	(1,403)	(1,900)	(2,133)
Net cash (used in) provided by financing activities	(2,077)	129,546	1,369,234
Net change in cash and cash equivalents	113,774	(25,601)	2,779
Cash and cash equivalents at beginning of period	242,714	268,315	265,536
Cash and cash equivalents at end of period	$ 356,488	$ 242,714	$ 268,315
Supplemental disclosures of cash flow information:			
Cash payments for:			
Interest paid	$ 270,946	$ 230,806	$ 67,850
Income taxes paid	24,001	31,647	49,234
Supplemental disclosures of noncash investing activities:			
Transfer of loans to other real estate owned	$ -	$ -	$ 579
Transfer of loans held-for-sale to loans held-for-investment	-	16,156	8,043
Transfer of loans held-for-investment to loans held-for-sale	-	11,197	27,137

See the accompanying notes to the consolidated financial statements.

CONNECTONE BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies

Nature of Operations

ConnectOne Bancorp, Inc. (the "Parent Corporation") is incorporated under the laws of the State of New Jersey and is a registered bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHCA"). The Parent Corporation's business currently consists of the operation of its wholly-owned subsidiary, ConnectOne Bank (the "Bank" and, collectively with the Parent Corporation and the Parent Corporation's subsidiaries, the "Company") and making certain limited investments. The Bank's direct and indirect subsidiaries include Union Investment Co. (a New Jersey investment company), Twin Bridge Investment Co. (a Delaware investment company), ConnectOne Preferred Funding Corp. (a New Jersey real estate investment trust), Center Financial Group, LLC (a New Jersey financial services company), Center Advertising, Inc. (a New Jersey advertising company), Morris Property Company, LLC, (a New Jersey limited liability company), Volosin Holdings, LLC, (a New Jersey limited liability company), NJCB Spec-1, LLC (a New Jersey limited liability company), Port Jervis Holdings, LLC (a New Jersey limited liability company), BONJ Special Properties, LLC (a New Jersey limited liability company) and BoeFly, Inc. (a New Jersey financial technology company).

The Bank is a community-based, full-service New Jersey-chartered commercial bank that was founded in 2005. The Bank operates from its headquarters located at 301 Sylvan Avenue in the Borough of Englewood Cliffs, Bergen County, New Jersey and through its 23 other banking offices. Substantially all loans are secured with various types of collateral, including business assets, consumer assets and commercial/residential real estate. Each borrower's ability to repay its loans is dependent on the conversion of assets, cash flows generated from the borrowers' business, real estate rental and consumer wages.

Basis of Presentation and Principals of Consolidation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles. The consolidated financial statements of the Parent Corporation are prepared on an accrual basis and include the accounts of the Parent Corporation and the Company. All significant intercompany accounts and transactions have been eliminated from the accompanying consolidated financial statements.

Segments

FASB ASC 28, "Segment Reporting," requires companies to report certain information about operating segments. The Company is managed as one segment: a community bank. All decisions including but not limited to loan growth, deposit funding, interest rate risk, credit risk and pricing are determined after assessing the effect on the totality of the organization. For example, loan growth is dependent on the ability of the organization to fund this growth through deposits or other borrowings. As a result, the Company is managed as one operating segment.

Use of Estimates

In preparing the consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the consolidated statements of condition and that affect the results of operations for the periods presented. Actual results could differ significantly from those estimates.

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash, deposits with other financial institutions with maturities of less than 90 days, and federal funds sold. Net cash flows are reported for client loan and deposit transactions, interest-bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

Investment Securities

The Company accounts for its investment securities in accordance with FASB ASC 320, "Investments-Debt and Equity Securities". Investments are classified into the following categories: (1) held-to-maturity securities, for which the Company has both the positive intent and ability to hold until maturity, which are reported at amortized cost; (2) trading securities, which are purchased and held principally for the purpose of selling in the near term and are reported at fair value with unrealized gains and losses included in earnings; and (3) available-for-sale securities, which do not meet the criteria of the other two categories and which management believes may be sold prior to maturity due to changes in interest rates, prepayment risk, liquidity or other factors, and are reported at fair value, with unrealized gains and losses, net of applicable income taxes, reported as a component of accumulated other comprehensive income, which is included in stockholders' equity and excluded from earnings.

Investment securities are adjusted for amortization of premiums and accretion of discounts as adjustments to interest income, which are recognized on a level yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Investment securities gains or losses are determined using the specific identification method.

Investment securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in comprehensive income, net of tax. Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are generally amortized using the level-yield method without estimating prepayments, except for mortgage-backed securities, where prepayment rates are estimated. Premiums on callable investment securities are amortized to their earliest call date. Gains and losses on sales of securities are recorded on the trade date and determined using the specific identification method.

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies – (continued)

For available-for-sale investment securities which are in an unrealized loss position, the Company will first assess whether we intend to sell, or it is more likely than not, that we will be required to sell the security before recovery of the amortized cost basis. If either of the criteria is met, the amortized cost basis of the security is written down to fair value through income. For available-for-sale investment securities that do not meet the aforementioned criteria, we evaluate whether the decline in fair value has resulted from an actual or estimated credit loss event or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, changes to the rating of the security, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss is likely, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, an allowance for credit losses is recorded for the estimated credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit loss is recognized in other comprehensive income, net of tax. The Company elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses.

Equity Securities

The Company's investments in equity securities are recorded at fair value, with unrealized gains and losses included in earnings.

Loans Held-for-Sale

Residential mortgage loans, originated and intended for sale in the secondary market, are carried at the lower of aggregate cost or estimated fair value as determined by outstanding commitments from investors. For these loans originated and intended for sale, gains and losses on loan sales (sale proceeds minus carrying value) are recorded in other income and direct loan origination costs and fees are deferred at origination of the loan and are recognized in other income upon sale of the loan.

Other loans held-for-sale are carried at the lower of aggregate cost or estimated fair value. Fair value on these loans is determined based on the terms of the loan, such as interest rate, maturity date, and reset term, as well as sales of similar assets.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, purchase premium and discounts and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Loan segments are defined as a group of loans, which share similar initial measurement attributes, risk characteristics, and methods for monitoring and assessing credit risk. Management has determined that the Company has five segments of loans: commercial, commercial real estate, commercial construction, residential real estate (including home equity) and consumer.

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Loans that are 90 days past due are placed on nonaccrual and previously accrued interest is reversed and charged against interest income unless the loans are both well-secured and in the process of collection. Past due status is based on the contractual terms of the loan. In certain cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans include both smaller balance homogeneous loans that are collectively evaluated for credit losses and loans individually analyzed for credit losses.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The policy of the Company is to grant commercial, residential and consumer loans to residents and businesses within the market-areas served by its offices in New Jersey, New York and Florida. The borrowers’ abilities to repay their obligations are dependent upon various factors including the borrowers’ income and net worth, cash flows generated by the borrowers’ underlying collateral, value of the underlying collateral, and priority of the lender’s lien on the property. Such factors are dependent upon various economic conditions and individual circumstances beyond the control of the Company. The Company is therefore subject to risk of loss. The Company believes its lending policies and procedures adequately minimize the potential exposure to such risks and that adequate provisions for credit losses are provided for all known and inherent risks. Collateral and/or personal guarantees are required for a large majority of the Company’s loans.

Allowance for Credit Losses

The allowance for credit losses is an estimate of current expected credit losses considering available information relevant to assessing the collectability of cash flows over the contractual term of the financial assets necessary to cover lifetime expected credit losses inherent in financial assets at the balance sheet date. The measurement of expected credit losses is applicable to loans receivable and investment securities measured at amortized cost. It also applies to off-balance-sheet credit exposures such as loan commitments and unused lines of credit. Loan losses are charged against the allowance for credit losses when the Company believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for credit losses. The allowance is established through a provision for credit losses that is charged against income. The methodology for determining the allowance for credit losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the forecasted economic environment that could result in changes to the amount of the recorded allowance for credit losses. The expected credit loss for unfunded loan commitments is reported on the consolidated statement of financial condition in other liabilities.

For financial assets, the allowance for credit losses is a valuation account that is deducted from, or added to, the amortized cost basis of the financial assets to present the net amount expected to be collected on the financial assets. The Company's methodology to estimate the allowance for credit losses has two components: (i) a collective reserve component for estimated lifetime expected credit losses for pools of loans that share common risk characteristics and (ii) an individual reserve component for loans that do not share common risk characteristics. The Company maintains an allowance for unfunded credit commitments mainly consisting of undisbursed non-cancellable lines of credit, new loan commitments and commercial letters of credit.

Information relevant to establishing an estimate of current expected credit losses includes historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. The Company reports in net income (as a credit loss expense) the amount necessary to adjust the allowance for credit losses and liabilities for credit losses on off-balance-sheet credit exposures for the current estimate of expected credit losses.

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Expected credit losses of financial assets are measured on a collective (pool) basis when similar risk characteristic(s) exist. If the Company determines that a financial asset does not share risk characteristics with other financial assets, the Company will evaluate the financial asset for expected credit losses on an individual basis. Financial assets are assessed once, either through collective assessments or individual assessments. Standard expected losses are evaluated on a collective, or pool, basis when financial assets share similar risk characteristics. For pooled loan segments, utilizing a quantitative analysis, the Company calculates estimated credit losses using a probability of default and loss given default methodology, the results of which are applied to the aggregated discounted cash flow of each individual loan within the segment. In the absence of relevant and reliable internal data, probability of default and loss given default rates are determined using peer data. The point in time probability of default and loss given default are then conditioned by macroeconomic scenarios to incorporate reasonable and supportable forecasts that affect the collectability of the reported amount. Financial assets may be segmented based on one characteristic, or a combination of characteristics. Examples of risk characteristics relevant to the Company's evaluation include, but were not limited to: (1) Internal or external credit scores or credit ratings, (2) Risk ratings or classifications, (3) Financial asset type, (4) Collateral type, (5) Size, (6) Effective interest rate, (7) Term, (8) Geographical location, (9) Industry of the borrower and (10) Vintage.

The Company's quantitative analysis also considers relevant available information from internal and external sources related to past events and current conditions, as well as the incorporation of reasonable and supportable forecasts. The Company evaluates a variety of factors including third party economic forecasts, industry trends and other available published economic information in arriving at its forecasts. After the reasonable and supportable forecast period, the Company reverts, on a straight-line basis, to average historical losses. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate.

Included in the allowance for credit losses are qualitative reserves to cover losses that are expected but, in the Company's assessment, may not be adequately represented in the quantitative analysis or the forecasts described above. Each qualitative loss factor, for each loan segment within the portfolio, incorporates consideration for a minimum to maximum range for loss factors derived from either the Company's historical loss experience, or peer group historical charge-off experience. These qualitative factor adjustments may increase or decrease the Company's estimate of expected credit losses and are applied to each loan segment.

The Bank evaluates individual instruments for expected credit losses when those instruments do not share similar risk characteristics with instruments evaluated using a collective (pooled) basis. The Company evaluates the pooling methodology at least annually. Loans transition from defined segments to individual analysis when credit characteristics, or risk traits, change in a material manner. A loan is considered for individual analysis when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by the Company in determining individual analysis include payment status and the probability of collecting scheduled principal and interest payments, when due.

Nonaccrual loans that are $ 250,000 or higher and all purchased credit-deteriorated ("PCD") loans are individually analyzed. Loans that are designated as nonaccrual with balances of less than $ 250,000 are collectively evaluated, and, accordingly, are not separately identified for analysis or disclosures. Individual analysis will establish an individually evaluated allowance for instruments in scope.

For collateral dependent loans, when it is determined that a foreclosure is probable, the allowance for credit losses is determined on a loan level basis using the fair value of the collateral as of the reporting date, less estimated disposition costs ("net fair value"), which will ensure that the credit loss is not delayed until the time at which the actual foreclosure takes place. In the event that this fair value is less than then amortized cost basis of these specific loans, the Company will recognize the difference between the net fair value at the reporting date and the amortized cost basis in the allowance for credit losses. If the fair value of the collateral has increased as of the evaluation date, the increase in the fair value of the collateral is reflected through a reduction in the allowance for credit losses. Adjustments for estimated disposition costs are not appropriate when the repayment of a collateral-dependent loan is expected from the operation of the collateral. If repayment is based upon future expected cash flows, the present value of the expected future cash flows discounted at the loan's original effective interest rate is compared to the carrying value of the loan, and any shortfall is recorded as the allowance for credit losses. The effective interest rate used to discount expected cash flows is adjusted to incorporate expected prepayments, if applicable.

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Purchased Credit-Deteriorated Loans

Loans acquired in a business combination that have experienced a more-than-significant deterioration in credit quality since origination are considered PCD loans. The Company evaluates acquired loans for deterioration in credit quality based on any of, but not limited to, the following: (1) non-accrual status; ; (2) risk ratings of special mention, substandard or doubtful; (3) watchlist credits; and (4) delinquency status, including loans that were current on acquisition date, but had been previously delinquent. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial allowance for credit losses is added to the purchase price, there is no credit loss expense recognized upon acquisition of a PCD loan. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to noncredit factors and results in a discount or premium, which is recognized through interest income on a level-yield basis over the lives of the related loans.

PCD loans that met the criteria for nonaccrual may be considered performing, regardless of whether the client is contractually delinquent, if management can reasonably estimate the timing and amount of the expected cash flows on such loans and if management expects to fully collect the new carrying value of the loans. As such, management may no longer consider the loans to be nonaccrual or nonperforming and may accrue interest on these loans, including the impact of any accretable discount.

Derivatives

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in noninterest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as noninterest income. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Restricted Stock

The Bank is a member of the Federal Home Loan Bank ("FHLB") of New York. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Cash dividends on the stock are reported as income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment

Land is carried at cost and premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 4 to 30 years. Leasehold improvements are depreciated using the straight-line method over the terms of the respective leases, or the estimated useful lives of the improvements, whichever is shorter. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 10 years.

Leases

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease team. The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term. The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company has elected not to recognize leases with original terms of 12 months or less on the consolidated balance sheet.

Other Real Estate Owned

Other real estate owned ("OREO"), representing property acquired through foreclosure or deed in lieu and held-for-sale, is initially recorded at fair value less cost to sell at the date of acquisition, establishing a new cost basis. Subsequently, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs relating to holding the assets are charged to expenses.

Employee Benefit Plans

The Company has a noncontributory pension plan that covered all eligible employees up until September 30, 2007, at which time the Company froze its defined benefit pension plan. As such, all future benefit accruals in this pension plan were discontinued and all retirement benefits that employees would have earned as of September 30, 2007 were preserved. The Company's policy is to fund at least the minimum contribution required by the Employee Retirement Income Security Act of 1974. The costs associated with the plan are accrued based on actuarial assumptions and included in salaries and employee benefits expense.

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies – (continued)

The Company accounts for its defined benefit pension plan in accordance with FASB ASC 715-30. This standard requires that the funded status of defined benefit postretirement plans be recognized on the Company's statement of financial condition and changes in the funded status be reflected in other comprehensive income. This standard also requires companies to measure the funded status of the plan as of the date of its fiscal year-end.

The Company maintains a 401(k)-employee savings plan to provide for defined contributions which covers substantially all employees of the Company. Employee 401(k) and profit-sharing plan expense is the amount of matching contributions.

Stock-Based Compensation

FASB ASC 718 "Compensation-Stock Compensation", requires that the compensation cost related to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans.

Stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. See Note 18 of the Notes to Consolidated Financial Statements for further discussion.

Treasury Stock

Subject to certain regulatory limitations applicable to the Parent Corporation, treasury stock purchases may be made from time to time as, in the opinion of management, market conditions warrant, in the open market or in privately negotiated transactions. Shares repurchased are added to the corporate treasury and will be used for future stock dividends and other issuances. The repurchased shares are recorded as treasury stock, which results in a decrease in stockholders' equity. Treasury stock is recorded using the cost method and accordingly is presented as a reduction of stockholders' equity. During the years ended December 31, 2024 and December 31, 2023, the Parent Corporation repurchased 283,270 and 904,152 shares, respectively, under board-approved share repurchase programs.

On August 16, 2022, The Inflation Reduction Act, P.L. 117-169, was signed into law. The act included a new Sec. 4501 that imposes an excise tax on certain repurchases of stock by publicly traded corporations.

In general, and before considering exceptions, the amount of the excise tax is equal to 1% of (1) the aggregate fair market value (FMV) of stock repurchased by a corporation, over (2) the aggregate FMV of stock issued by the corporation, in each case, during the tax year. The excise tax applies to repurchases of stock by corporations beginning after December 31, 2022. The excise tax is not deductible for purposes of computing U.S. federal income tax (Sec. 275(a)(6)).

On December 27, 2022, Treasury and the IRS released Notice 2023-2, which announced that they intend to issue proposed regulations with respect to the excise tax. The notice provides interim guidance that Treasury and the Service generally intend to include in the proposed regulations, including several examples that illustrate the application of the rules set forth in the notice. Treasury and the IRS anticipate that the proposed regulations will be consistent with the guidance provided in the notice. In addition, until the issuance of the proposed regulations, taxpayers are permitted to rely on the operating rules set forth in Section 3 of the notice. The proposed regulations are anticipated to apply to repurchases of stock made after December 31, 2022, and to issuances of stock made during a tax year ending after December 31, 2022. As of December 31, 2024, the Company accrued $0.1 million related to the excise tax through equity.

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Goodwill

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but tested for impairment annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test. No impairment charge was deemed necessary as of the years ended December 31, 2024, 2023 and 2022.

Other Intangible Assets

Other intangible assets consist of core deposit intangibles arising from business combinations that are amortized over their estimated useful lives to their estimated residual value.

Comprehensive Income (Loss)

Total comprehensive income includes all changes in equity during a period from transactions and other events and circumstances from nonowner sources. The Company's other comprehensive income (loss) is comprised of unrealized holding gains and losses on securities available-for-sale, unrecognized actuarial gains and losses of the Company's defined benefit pension plan and unrealized gains and losses on cash flow hedges, net of taxes.

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank is required to meet regulatory reserve and clearing requirements.

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Parent Corporation or by the Parent Corporation to the stockholders.

CONNECTONE BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1a – Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies – (continued)

Fair Value of Financial Instruments

The fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Bank Owned Life Insurance

The Company invests in Bank Owned Life Insurance ("BOLI") to help offset the cost of employee benefits. The change in the cash surrender value of the BOLI is recorded as a component of noninterest income.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740, "Income Taxes", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets and liabilities are determined based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates expected to be in effect when the taxes are actually paid or recovered.

Deferred tax assets are recognized to the extent it is more likely than not that they will be realized. A valuation allowance is recorded to reduce deferred tax assets if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company evaluates tax positions taken or expected to be taken in a tax return and recognizes a tax benefit if it is more likely than not that the position will be sustained upon examination by the relevant taxing authorities. Unrecognized tax benefits, including interest and penalties, are recorded as a component of income tax expense in the Consolidated Statements of Income.

In accordance with ASC 740-10-25, the Company classifies interest and penalties related to unrecognized tax benefits as a component of income tax expense in the Consolidated Statements of Operations. Accrued interest and penalties are included in other long-term liabilities on the Consolidated Balance Sheets. The Company recognizes interest and penalties beginning in the period in which the uncertain tax position is taken, and they continue to accrue until the matter is resolved or until it is determined that payment is not required.

Note 1a – **Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies** – **(continued)**

The Company regularly monitors developments in tax laws and regulations that may impact its tax positions and financial reporting. Any changes in classification, measurement, or recognition of tax-related interest and penalties will be disclosed in accordance with GAAP and relevant SEC reporting requirements. See Note 11 for more discussion on income taxes.

Advertising Costs

The Company recognizes its marketing and advertising costs as incurred.

Reclassifications

Certain reclassifications have been made in the consolidated financial statements and footnotes for 2023 and 2022 to conform to the classifications presented in 2024. Such reclassifications had no impact on net income or stockholders' equity.

Note 1b – Authoritative Accounting Guidance

Adoption of New Accounting Standards

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments apply to all public entities that are required to report segment information in accordance with Topic 280, Segment Reporting. The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for the Company beginning January 1, 2024. See Note 24.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. These amendments require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5% of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate). The amendments require that all entities disclose on an annual basis the following information about income taxes paid: 1) The amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes. 2) The amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5% of total income taxes paid (net of refunds received). The amendments also require that all entities disclose the following information: 1) Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and 2) Income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. ASU 2023-09 is effective for the Company beginning January 1, 2025. The Company adopted ASU 2023-09 on January 1, 2025 and is currently not expected to have a material effect on the consolidated financial statements in 2025.

Note 2. Business Combination (unaudited)

On September 4, 2024, the Parent Corporation and The First of Long Island Corporation (Nasdaq: FLIC) ("First of Long Island"), parent company of The First National Bank of Long Island entered into a definitive agreement pursuant to which First of Long Island will merge with and into the Parent Corporation, which will be the surviving entity in the transaction. The combined company will operate under the ConnectOne brand, and will have approximately $ 14 billion in total assets, $ 11 billion in total deposits, and $ 11 billion in total loans.

Under the terms of the agreement, First of Long Island shareholders will receive 0.5175 shares of Parent Corporation common stock for each share of First of Long Island common stock. The transaction is presently valued at approximately $ 284 million in aggregate based upon the closing common stock price of $ 23.97 for ConnectOne as of September 4, 2024.

On February 14, 2025, at separate special meetings, the shareholders of both companies approved proposals relating to the pending merger of the Company and FLIC.

Note 3– Earnings per Common Share

FASB ASC 260-10-45, “Earnings Per Share”, addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (“EPS”). The restricted stock awards granted by the Company contain non-forfeitable rights to dividends and therefore are considered participating securities. The two-class method for calculating basic EPS excludes dividends paid to participating securities and any undistributed earnings attributable to participating securities. Earnings per common share have been computed based on the following:

	Years Ended December 31,		
	2024	2023	2022
	(in thousands, except per share amounts)		
Net income available to common stockholders	$ 67,757	$ 80,967	$ 119,174
Earnings allocated to participating securities	(187)	(216)	(287)
Income attributable to common stock	$ 67,570	$ 80,751	$ 118,887
Weighted average common shares outstanding, including participating securities	38,376	38,913	39,355
Weighted average participating securities	(106)	(104)	(95)
Weighted average common shares outstanding	38,270	38,809	39,260
Incremental shares from assumed conversions of options, deferred stock units, performance units and restricted stock	211	153	216
Weighted average common and equivalent shares outstanding	38,481	38,962	39,476
Earnings per common share:			
Basic	$ 1.77	$ 2.08	$ 3.03
Diluted	1.76	2.07	3.01

There were no antidilutive common share equivalents as of December 31, 2024, 2023 and 2022.

Note 4– Investment Securities

The Company's investment securities are classified as available-for-sale as of December 31, 2024 and December 31, 2023. Investment securities available-for-sale are reported at fair value with unrealized gains or losses included in stockholders' equity, net of tax. Accordingly, the carrying value of such securities reflects their fair value as of December 31, 2024 and December 31, 2023. Fair value is based upon either quoted market prices, or in certain cases where there is limited activity in the market for a particular instrument, assumptions are made to determine their fair value. See Note 21 of the Notes to Consolidated Financial Statements for a further discussion.

The following tables present information related to the Company's portfolio of investment securities available-for-sale as of December 31, 2024 and 2023.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(dollars in thousands)		
December 31, 2024				
Investment securities available-for-sale				
Federal agency obligations	$ 96,165	$ 179	$ (11,674)	$ 84,670
Residential mortgage pass-through securities	439,445	211	(60,818)	378,838
Commercial mortgage pass-through securities	24,989	-	(4,097)	20,892
Obligations of U.S. states and political subdivisions	141,775	89	(19,460)	122,404
Corporate bonds and notes	5,000	5	(18)	4,987
Asset-backed securities	892	-	(7)	885
Other securities	171	-	-	171
Total investment securities available-for-sale	$ 708,437	$ 484	$ (96,074)	$ 612,847

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(dollars in thousands)		
December 31, 2023				
Investment securities available-for-sale				
Federal agency obligations	$ 55,898	$ 189	$ (10,761)	$ 45,326
Residential mortgage pass-through securities	462,004	620	(51,433)	411,191
Commercial mortgage pass-through securities	25,240	-	(3,676)	21,564
Obligations of U.S. states and political subdivisions	148,795	415	(16,505)	132,705
Corporate bonds and notes	5,000	-	(27)	4,973
Asset-backed securities	1,260	-	(22)	1,238
Other securities	165	-	-	165
Total investment securities available-for-sale	$ 698,362	$ 1,224	$ (82,424)	$ 617,162

Note 4– Investment Securities – (continued)

Investment securities having a carrying value of approximately $ 184 million and $ 358 million as of December 31, 2024 and December 31, 2023, respectively, were pledged to secure public deposits, borrowings, Federal Reserve Discount Window borrowings and Federal Home Loan Bank advances and for other purposes required or permitted by law. As of December 31, 2024 and December 31, 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

The following table presents information for investment securities available-for-sale as of December 31, 2024, based on scheduled maturities. Actual maturities can be expected to differ from scheduled maturities due to prepayment or early call options of the issuer. Securities not due at a single maturity date are shown separately.

	December 31, 2024	
	Amortized Cost	Fair Value
	(dollars in thousands)	
Investment securities available-for-sale:		
Due in one year or less	$ 4,034	$ 4,040
Due after one year through five years	5,304	5,282
Due after five years through ten years	10,400	9,132
Due after ten years	224,094	194,492
Residential mortgage pass-through securities	439,445	378,838
Commercial mortgage pass-through securities	24,989	20,892
Other securities	171	171
Total investment securities available-for-sale	$ 708,437	$ 612,847

There were no gains/losses from the sales and/or redemptions of investment securities for the years ended December 31, 2024, 2023 and 2022.

Note 4– Investment Securities – (continued)

Impairment Analysis of Available-for-Sale Debt Securities

The following tables indicate gross unrealized losses for which an ACL has not been recorded, aggregated by investment category and by the length of continuous time individual securities have been in an unrealized loss position as of December 31, 2024 and December 31, 2023.

	December 31, 2024					
	Total		Less than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(dollars in thousands)					
Investment securities available-for-sale:						
Federal agency obligation	$ 53,467	$ (11,674)	$ 18,471	$ (60)	$ 34,996	$ (11,614)
Residential mortgage pass-through securities	364,971	(60,818)	26,809	(604)	338,162	(60,214)
Commercial mortgage pass-through securities	20,892	(4,097)	-	-	20,892	(4,097)
Obligations of U.S. states and political subdivisions	112,523	(19,460)	13,281	(322)	99,242	(19,138)
Corporate bonds and notes	1,982	(18)	1,982	(18)	-	-
Asset-backed securities	885	(7)	-	-	885	(7)
Total temporarily impaired securities	$ 554,720	$ (96,074)	$ 60,543	$ (1,004)	$ 494,177	$ (95,070)

	December 31, 2023					
	Total		Less than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(dollars in thousands)					
Investment securities available-for-sale:						
Federal agency obligation	$ 40,779	$ (10,761)	$ 1,689	$ (65)	$ 39,090	$ (10,696)
Residential mortgage pass-through securities	382,042	(51,433)	4,138	(51)	377,904	(51,382)
Commercial mortgage pass-through securities	21,565	(3,676)	-	-	21,565	(3,676)
Obligations of U.S. states and political subdivisions	101,189	(16,505)	1,340	(7)	99,849	(16,498)
Corporate bonds and notes	4,973	(27)	2,993	(7)	1,980	(20)
Asset-backed securities	1,238	(22)	-	-	1,238	(22)
Total temporarily impaired securities	$ 551,786	$ (82,424)	$ 10,160	$ (130)	$ 541,626	$ (82,294)

The Company did not have an allowance for credit losses as of December 31, 2024. The Company has elected to exclude accrued interest from the amortized cost of its investment securities available-for-sale. Accrued interest receivable for investment securities available-for-sale as of both December 31, 2024 and December 31, 2023 was $ 2.3 million.

Note 4– Investment Securities – (continued)

The Company evaluates securities in an unrealized loss position for impairment related to credit losses on at least a quarterly basis. Securities in unrealized loss positions are first assessed as to whether we intend to sell, or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If one of the criteria is met, the security's amortized cost basis is written down to fair value through current earnings. For securities that do not meet these criteria, the Company evaluates whether the decline in fair value resulted from credit losses or other factors. If this assessment indicates that a credit loss exists, we compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. Unrealized losses on asset backed securities and state and municipal securities have not been recognized into income because the issuers are of high credit quality, we do not intend to sell, and it is likely that we will not be required to sell the securities prior to their anticipated recovery. The decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the securities. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of applicable taxes. No allowance for credit losses for available-for-sale securities was recorded as of December 31, 2024.

Federal agency obligations, residential mortgage-backed pass-through securities and commercial mortgage-backed pass-through securities are issued by U.S. Government agencies and U.S. Government sponsored enterprises. Although a government guarantee exists on these investments, these entities are not legally backed by the full faith and credit of the federal government, and the current support they receive is subject to a cap as part of the agreement entered into in 2008. Nonetheless, at this time we do not foresee any set of circumstances in which the government would not fund its commitments on these investments as the issuers are an integral part of the U.S. housing market in providing liquidity and stability. Therefore, we concluded that a zero-allowance approach for these investment securities is appropriate.

Note 5– Loans and the Allowance for Credit Losses

Loans Receivable**:** The following table sets forth the composition of the Company’s loan portfolio segments, net of deferred fees, as of December 31, 2024 and December 31, 2023:

	2024	2023
	(dollars in thousands)	
Commercial	$ 1,532,730	$ 1,578,730
Commercial real estate	5,880,679	5,895,545
Commercial construction	616,246	620,496
Residential real estate	249,691	256,041
Consumer	1,136	1,029
Gross loans	8,280,482	8,351,841
Net deferred fees	(5,672)	(6,696)
Loans receivable	$ 8,274,810	$ 8,345,145

At both December 31, 2024 and December 31, 2023, loan balances of approximately $ 5.8 billion, were pledged to secure borrowings from the FHLB of New York and the Federal Reserve Bank of New York. During 2023, the Company took actions to increase its secured borrowing access and increase levels of off-balance sheet liquidity and as such increased the amount of loans pledged to each of these borrowing facilities.

- The repayment of commercial loans is generally dependent on the creditworthiness and cash flow of borrowers, and if applicable, guarantors, which may be negatively impacted by adverse economic conditions. While the majority of these loans are secured, collateral type, marketing, coverage, valuation and monitoring is not as uniform as in other portfolio classes and recovery from liquidation of such collateral may be subject to greater variability.

- Payment on commercial real estate is driven principally by operating results of the managed properties or underlying business and secondarily by the sale or refinance of such properties. Both primary and secondary sources of repayment, and value of the properties in liquidation, may be affected to a greater extent by adverse conditions in the real estate market or the economy in general.

- Properties underlying construction, land and land development loans often do not generate sufficient cash flows to service debt and thus repayment is subject to the ability of the borrower and, if applicable, guarantors, to complete development or construction of the property and carry the project, often for extended periods of time. As a result, the performance of these loans is contingent upon future events whose probability at the time of origination is uncertain.

- The ability of borrowers to service debt in the residential and consumer loan portfolios is generally subject to personal income which may be impacted by general economic conditions, such as increased unemployment levels. These loans are predominately collateralized by first and/or second liens on single family properties. If a borrower cannot maintain the loan, the Company’s ability to recover against the collateral in sufficient amount and in a timely manner may be significantly influenced by market, legal and regulatory conditions.

- The Company considers loan classes and loan segments to be one and the same.

Note 5– Loans and the Allowance for Credit Losses – (continued)

Loans Held-For-Sale: The following table presents loans held-for-sale by loan segment as of December 31, 2024 and December 31, 2023:

	2024	2023
	(dollars in thousands)	
Residential real estate	$ 743	$ -

Loans Receivable on Nonaccrual Status - The following tables present the amortized cost basis of loans on nonaccrual status by loan segment as of December 31, 2024 and 2023:

	December 31, 2024		
	Nonaccrual loans with ACL	Nonaccrual loans without ACL	Total Nonaccrual loans
		(dollars in thousands)	
Commercial	$ 1,744	$ 14,487	$ 16,231
Commercial real estate	3,822	32,664	36,486
Commercial construction	-	2,204	2,204
Residential real estate	333	2,056	2,389
Total	$ 5,899	$ 51,411	$ 57,310

	December 31, 2023		
	Nonaccrual loans with ACL	Nonaccrual loans without ACL	Total Nonaccrual loans
		(dollars in thousands)	
Commercial	$ 1,763	$ 11,064	$ 12,827
Commercial real estate	8,013	28,179	36,192
Residential real estate	1,033	2,472	3,505
Total	$ 10,809	$ 41,715	$ 52,524

Nonaccrual loans include loans that are collectively evaluated and individually analyzed.

Note 5 – Loans and the Allowance for Credit Losses – (continued)

Credit Quality Indicators – The Company continuously monitors the credit quality of its loans receivable. In addition to its internal monitoring, the Company utilizes the services of a third-party loan review firm to periodically validate the credit quality of its loans receivable on a sample basis. Credit quality is monitored by reviewing certain credit quality indicators. Assets classified as “Pass” are deemed to possess average to superior credit quality, requiring no more than normal attention. Assets classified as “Special Mention” have generally acceptable credit quality yet possess higher risk characteristics/circumstances than satisfactory assets. Such conditions include strained liquidity, slow pay, stale financial statements, or other conditions that require more stringent attention from the lending staff. These conditions, if not corrected, may weaken the loan quality or inadequately protect the Company’s credit position at some future date. Assets are classified as “Substandard” if the asset has a well-defined weakness that requires management’s attention to a greater degree than for loans classified as special mention. Such weakness, if left uncorrected, could possibly result in the compromised ability of the loan to perform to contractual requirements. An asset is classified as “Doubtful” if it is inadequately protected by the net worth and/or paying capacity of the obligor or of the collateral, if any, that secures the obligation. Assets classified as doubtful include assets for which there is a “distinct possibility” that a degree of loss will occur if the inadequacies are not corrected.

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Note 5 – Loans and the Allowance for Credit Losses – (continued)

We evaluate whether a modification, extension or renewal of a loan is a current period origination in accordance with GAAP. Generally, loans up for renewal are subject to a full credit evaluation before the renewal is granted and such loans are considered current period originations for purpose of the table below. As of December 31, 2024, our loans based on year of origination and risk designation and gross charge-offs are as follows (dollars in thousands):

	Term loans amortized cost basis by origination year							
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total Gross Loans
Commercial								
Pass	$ 67,298	$ 157,067	$ 194,602	$ 237,065	$ 29,717	$ 111,841	$ 678,206	$ 1,475,796
Special mention	1,908	-	2,817	2,538	1,643	6,209	17,491	32,606
Substandard	-	3,019	3,705	217	-	15,844	1,543	24,328
Doubtful	-	-	-	-	-	-	-	-
Total Commercial	$ 69,206	$ 160,086	$ 201,124	$ 239,820	$ 31,360	$ 133,894	$ 697,240	$ 1,532,730
YTD gross charge-offs	$ -	$ -	$ 1,003	$ 49	$ -	$ 316	$ 1,918	$ 3,286
Commercial real estate								
Pass	$ 408,314	$ 268,533	$ 1,424,209	$ 1,510,087	$ 339,553	$ 1,357,858	$ 415,286	$ 5,723,840
Special mention	-	-	53,642	-	-	59,719	-	113,361
Substandard	-	-	3,822	1,846	1,752	36,058	-	43,478
Doubtful	-	-	-	-	-	-	-	-
Total Commercial real estate	$ 408,314	$ 268,533	$ 1,481,673	$ 1,511,933	$ 341,305	$ 1,453,635	$ 415,286	$ 5,880,679
YTD gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 10,416	$ -	$ 10,416
Commercial construction								
Pass	$ 15,390	$ -	$ 2,137	$ 8,995	$ 6,518	$ -	$ 581,002	$ 614,042
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	2,204	2,204
Doubtful	-	-	-	-	-	-	-	-
Total Commercial construction	$ 15,390	$ -	$ 2,137	$ 8,995	$ 6,518	$ -	$ 583,206	$ 616,246
YTD gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate								
Pass	$ 17,763	$ 14,542	$ 39,197	$ 21,925	$ 17,339	$ 96,657	$ 36,471	$ 243,894
Special mention	-	-	-	-	-	635	2,773	3,408
Substandard	-	-	633	-	1,157	364	235	2,389
Doubtful	-	-	-	-	-	-	-	-
Total Residential real estate	$ 17,763	$ 14,542	$ 39,830	$ 21,925	$ 18,496	$ 97,656	$ 39,479	$ 249,691
YTD gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer								
Pass	$ 1,015	$ 24	$ 1	$ -	$ -	$ -	$ 96	$ 1,136
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Consumer	$ 1,015	$ 24	$ 1	$ -	$ -	$ -	$ 96	$ 1,136
YTD gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total								
Pass	$ 509,780	$ 440,166	$ 1,660,146	$ 1,778,072	$ 393,127	$ 1,566,356	$ 1,711,061	$ 8,058,708
Special mention	1,908	-	56,459	2,538	1,643	66,563	20,264	149,375
Substandard	-	3,019	8,160	2,063	2,909	52,266	3,982	72,399
Doubtful	-	-	-	-	-	-	-	-
Grand Total	$ 511,688	$ 443,185	$ 1,724,765	$ 1,782,673	$ 397,679	$ 1,685,185	$ 1,735,307	$ 8,280,482
YTD gross charge-offs	$ -	$ -	$ 1,003	$ 49	$ -	$ 10,732	$ 1,918	$ 13,702

Note 5 – Loans and the Allowance for Credit Losses – (continued)

As of December 31, 2023, our loans based on year of origination and risk designation and gross charge-offs are as follows (dollars in thousands):

	Term loans amortized cost basis by origination year						Revolving	Total
	2023	2022	2021	2020	2019	Prior	Loans	Gross Loans
Commercial								
Pass	$ 178,582	$ 252,151	$ 265,705	$ 38,909	$ 13,726	$ 112,145	$ 684,779	$ 1,545,997
Special mention	-	10,620	-	-	562	3,417	3,199	17,798
Substandard	250	439	241	1	612	11,695	1,697	14,935
Doubtful	-	-	-	-	-	-	-	-
Total Commercial	$ 178,832	$ 263,210	$ 265,946	$ 38,910	$ 14,900	$ 127,257	$ 689,675	$ 1,578,730
YTD gross charge-offs	$ 54	$ 3,397	$ -	$ -	$ 280	$ 11,094	$ 63	$ 14,888
Commercial real estate								
Pass	$ 248,660	$ 1,561,841	$ 1,585,109	$ 352,445	$ 353,391	$ 1,232,240	$ 497,588	$ 5,831,274
Special mention	-	-	-	-	-	24,202	-	24,202
Substandard	-	-	1,888	-	1,255	20,141	16,785	40,069
Doubtful	-	-	-	-	-	-	-	-
Total Commercial real estate	$ 248,660	$ 1,561,841	$ 1,586,997	$ 352,445	$ 354,646	$ 1,276,583	$ 514,373	$ 5,895,545
YTD gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 2,142	$ -	$ 2,142
Commercial construction								
Pass	$ 582	$ 5,463	$ 15,645	$ 6,236	$ -	$ -	$ 583,870	$ 611,796
Special mention	-	-	-	-	-	-	8,700	8,700
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Commercial construction	$ 582	$ 5,463	$ 15,645	$ 6,236	$ -	$ -	$ 592,570	$ 620,496
YTD gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate								
Pass	$ 15,455	$ 42,830	$ 21,987	$ 21,704	$ 19,896	$ 91,114	$ 36,082	$ 249,068
Special mention	-	-	-	-	-	651	2,817	3,468
Substandard	-	-	555	-	-	2,144	806	3,505
Doubtful	-	-	-	-	-	-	-	-
Total Residential real estate	$ 15,455	$ 42,830	$ 22,542	$ 21,704	$ 19,896	$ 93,909	$ 39,705	$ 256,041
YTD gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 18	$ 18
Consumer								
Pass	$ 849	$ 83	$ -	$ 5	$ -	$ -	$ 92	$ 1,029
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Consumer	$ 849	$ 83	$ -	$ 5	$ -	$ -	$ 92	$ 1,029
YTD gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 1	$ 1
Total								
Pass	$ 444,128	$ 1,862,368	$ 1,888,446	$ 419,299	$ 387,013	$ 1,435,499	$ 1,802,411	$ 8,239,164
Special mention	-	10,620	-	-	562	28,270	14,716	54,168
Substandard	250	439	2,684	1	1,867	33,980	19,288	58,509
Doubtful	-	-	-	-	-	-	-	-
Grand Total	$ 444,378	$ 1,873,427	$ 1,891,130	$ 419,300	$ 389,442	$ 1,497,749	$ 1,836,415	$ 8,351,841
YTD gross charge-offs	$ 54	$ 3,397	$ -	$ -	$ 280	$ 13,236	$ 82	$ 17,049

CONNECTONE BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Loans and the Allowance for Credit Losses – (continued)

Collateral-dependent Loans - The following tables present the amortized cost basis of collateral-dependent loans by loan segment as of December 31, 2024 and 2023:

	December 31, 2024		
	Real Estate	Other	Total
		(dollars in thousands)	
Commercial	$ 2,308	$ 9,222	$ 11,530
Commercial real estate	36,486	-	36,486
Commercial construction	2,204	-	2,204
Residential real estate	2,056	-	2,056
Total	$ 43,054	$ 9,222	$ 52,276

	December 31, 2023		
	Real Estate	Other	Total
		(dollars in thousands)	
Commercial	$ 4,949	$ 10,387	$ 15,336
Commercial real estate	39,986	-	39,986
Commercial construction	8,700	-	8,700
Residential real estate	5,941	-	5,941
Total	$ 59,576	$ 10,387	$ 69,963

Note 5 – Loans and the Allowance for Credit Losses – (continued)

Aging Analysis – The following tables present the aging of the amortized cost in past-due loans by loan segment as of December 31, 2024 and December 31, 2023 (dollars in thousands):

	December 31, 2024						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Gross Loans
Commercial	$ 1,340	$ -	$ -	$ 16,231	$ 17,571	$ 1,515,159	$ 1,532,730
Commercial real estate	-	-	-	36,486	36,486	5,844,193	5,880,679
Commercial construction	-	-	-	2,204	2,204	614,042	616,246
Residential real estate	1,991	-	-	2,389	4,380	245,311	249,691
Consumer	-	-	-	-	-	1,136	1,136
Total	$ 3,331	$ -	$ -	$ 57,310	$ 60,641	$ 8,219,841	$ 8,280,482

	December 31, 2023						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Gross Loans
Commercial	$ 555	$ -	$ -	$ 12,827	$ 13,382	$ 1,565,348	$ 1,578,730
Commercial real estate	527	-	-	36,192	36,719	5,858,826	5,895,545
Commercial construction	-	23,600	-	-	23,600	596,896	620,496
Residential real estate	275	226	-	3,505	4,006	252,035	256,041
Consumer	-	-	-	-	-	1,029	1,029
Total	$ 1,357	$ 23,826	$ -	$ 52,524	$ 77,707	$ 8,274,134	$ 8,351,841

Note 5 – Loans and the Allowance for Credit Losses – (continued)

The following tables detail the amount of gross loans that are individually analyzed, collectively evaluated, and loans acquired with deteriorated quality, and the related portion of the allowance for credit losses for loans that are allocated to each loan portfolio segment.

	December 31, 2024					
	Commercial	Commercial real estate	Commercial construction	Residential real estate	Consumer	Total
	(dollars in thousands)					
Allowance for credit losses - loans						
Individually analyzed	$ 326	$ 909	$ -	$ -	$ -	$ 1,235
Collectively evaluated	17,740	53,868	5,064	4,561	5	81,238
Acquired with deteriorated credit quality	212	-	-	-	-	212
Total	$ 18,278	$ 54,777	$ 5,064	$ 4,561	$ 5	$ 82,685
Gross loans						
Individually analyzed	$ 15,751	$ 36,486	$ 2,204	$ 2,056	$ -	$ 56,497
Collectively evaluated	1,516,557	5,844,193	614,042	247,635	1,136	8,223,563
Acquired with deteriorated credit quality	422	-	-	-	-	422
Total	$ 1,532,730	$ 5,880,679	$ 616,246	$ 249,691	$ 1,136	$ 8,280,482

	December 31, 2023					
	Commercial	Commercial real estate	Commercial construction	Residential real estate	Consumer	Total
	(dollars in thousands)					
Allowance for credit losses - loans						
Individually analyzed	$ -	$ 941	$ -	$ -	$ -	$ 941
Collectively evaluated	20,215	51,337	4,739	4,320	5	80,616
Acquired with deteriorated credit quality	417	-	-	-	-	417
Total	$ 20,632	$ 52,278	$ 4,739	$ 4,320	$ 5	$ 81,974
Gross loans						
Individually analyzed	$ 15,336	$ 39,986	$ 8,700	$ 5,941	$ -	$ 69,963
Collectively evaluated	1,562,910	5,855,559	611,796	250,100	1,029	8,281,394
Acquired with deteriorated credit quality	484	-	-	-	-	484
Total	$ 1,578,730	$ 5,895,545	$ 620,496	$ 256,041	$ 1,029	$ 8,351,841

Note 5– Loans and the Allowance for Credit Losses – (continued)

A summary of the activity in the allowance for credit losses for loans by loan segment is as follows:

	Commercial	Commercial real estate	Commercial construction	Residential real estate	Consumer	Total
			(dollars in thousands)			
Balance as of January 1, 2024	$ 20,632	$ 52,278	$ 4,739	$ 4,320	$ 5	$ 81,974
Charge-offs	(3,286)	(10,416)	-	-	-	(13,702)
Recoveries	392	31	-	6	-	429
Provision for credit losses	540	12,884	325	235	-	13,984
Balance as of December 31, 2024	$ 18,278	$ 54,777	$ 5,064	$ 4,561	$ 5	$ 82,685

	Commercial	Commercial real estate	Commercial construction	Residential real estate	Consumer	Total
			(dollars in thousands)			
Balance as of January 1, 2023	$ 28,903	$ 53,742	$ 3,718	$ 4,143	$ 7	$ 90,513
Charge-offs	(14,888)	(2,142)	-	(18)	(1)	(17,049)
Recoveries	10	-	-	68	8	86
Provision for (reversal) of credit losses	6,607	678	1,021	127	(9)	8,424
Balance as of December 31, 2023	$ 20,632	$ 52,278	$ 4,739	$ 4,320	$ 5	$ 81,974

	Commercial	Commercial real estate	Commercial construction	Residential real estate	Consumer	Total
			(dollars in thousands)			
Balance as of January 1, 2022	$ 25,969	$ 45,589	$ 3,580	$ 3,628	$ 7	$ 78,773
Charge-offs	(2,612)	(2,819)	-	(9)	(3)	(5,443)
Recoveries	54	-	-	63	-	117
Provision for credit losses	5,492	10,972	138	461	3	17,066
Balance as of December 31, 2022	$ 28,903	$ 53,742	$ 3,718	$ 4,143	$ 7	$ 90,513

Note 5 – Loans and the Allowance for Credit Losses – (continued)

Loan Modifications to Borrowers Experiencing Financial Difficulty:

The following table presents the amortized cost basis to borrowers experiencing financial difficulty that were modified during the last 12 months. The modification percentage represents the total modified loans as compared to the total gross loan balances as of December 31, 2024.

	Amortized Cost Basis at Time of Modification						
December 31, 2024 (dollars in thousands)	Term Extension	Payment Deferral	Interest Rate Reduction	Payment Reduction	Total	Gross Loans at December 31, 2024	Modification % (Modified Loans/Gross Loans)
Commercial	$ 17,641	$ 126	$ -	$ 333	$ 18,100	$ 1,532,730	1.18%
Commercial real estate	-	-	63,804	-	63,804	5,880,679	1.08
Residential real estate	1,413	-	-	-	1,413	249,691	0.57
Total	$ 19,054	$ 126	$ 63,804	$ 333	$ 83,317	$ 7,663,100	1.09%

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty during the last 12 months.

December 31, 2024 (dollars in thousands)	Weighted Average Term Extension (Months)	Weighted Average Payment Deferral (Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Reduction
Commercial	6	3	-%	$ 6
Commercial real estate	-	-	0.8	-
Residential real estate	136	-	-	-
Total	142	3	0.8%	$ 6

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months.

December 31, 2024 (dollars in thousands)	Current	30-89 Days Past Due	90 Days or Greater Past Due
Commercial	$ 18,100	$ -	$ -
Commercial real estate	63,804	-	-
Residential real estate	1,413	-	-
Total	$ 83,317	$ -	$ -

Note 5 – Loans and the Allowance for Credit Losses – (continued)

The following table presents the amortized cost basis to borrowers experiencing financial difficulty that were modified during the last 12 months. The modification percentage represents the total modified loans as compared to the total gross loan balances as of December 31, 2023.

	Amortized Cost Basis at Time of Modification						
December 31, 2023 (dollars in thousands)	Term Extension	Payment Deferral	Interest Rate Reduction	Payment Reduction	Total	Gross Loans at December 31, 2023	Modification % (Modified Loans/Gross Loans)
Commercial	$ 34	$ 10,283	$ -	$ -	$ 10,317	$ 1,578,730	0.65%
Commercial real estate	209	-	7,272	-	7,481	5,895,545	0.13
Total	$ 243	$ 10,283	$ 7,272	$ -	$ 17,798	$ 7,474,275	0.24%

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty during the last 12 months.

December 31, 2023 (dollars in thousands)	Weighted Average Term Extension (Months)	Weighted Average Payment Deferral (Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Reduction
Commercial	36	6	-%	$ -
Commercial real estate	180	-	1.9	-
Total	216	6	1.9%	$ -

Note 5 – Loans and the Allowance for Credit Losses – (continued)

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months.

December 31, 2023 (dollars in thousands)	Current	30-89 Days Past Due	90 Days or Greater Past Due
Commercial	$ 10,317	$ -	$ -
Commercial real estate	7,481	-	-
Total	$ 17,798	$ -	$ -

There were no loans to borrowers experiencing financial difficulty that had a payment default during the year ended December 31, 2024 and December 31, 2023 and were modified in the twelve months prior to that default. Upon the Company's determination that a modified loan (or portion of the loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is charged-off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Allowance for Credit Losses for Unfunded Commitments

The Company has recorded an ACL for unfunded credit commitments, which is recorded in other liabilities. The provision is recorded within the provision for credit losses on the Company's Consolidated Statement of Income. The following table presents the allowance for credit losses for unfunded commitments for the year ended December 31, 2024 and 2023 (dollars in thousands):

	2024	2023
Balance at beginning of period	$ 2,811	$ 3,035
Reversal of credit losses - unfunded commitments	(184)	(224)
Balance at end of period	$ 2,627	$ 2,811

Components of (Reversal of) Provision for Credit Losses

The following table summarizes the provision for (reversal of) provision for credit losses for the year ended December 31, 2024 and 2023 (dollars in thousands):

	2024	2023
Provision for credit losses – loans	$ 13,984	$ 8,424
Reversal of credit losses - unfunded commitments	(184)	(224)
Provision for credit losses – total	$ 13,800	$ 8,200

Note 6 – **Premises and Equipment**

Premises and equipment are summarized as of December 31, 2024 and 2023:

	Estimated Useful Life (Years)	2024	2023
		(dollars in thousands)	
Land	-	$ 5,253	$ 6,732
Buildings	10-25	11,043	11,043
Furniture, fixtures and equipment	3-7	30,746	28,548
Leasehold improvements	10-20	28,325	27,633
Subtotal		75,367	73,956
Less: accumulated depreciation, amortization and fair value adjustments		46,920	43,177
Total premises and equipment, net		$ 28,447	$ 30,779

Depreciation and amortization expense of premises and equipment was $ 4.4 million, $ 4.5 million and $ 3.9 million for 2024, 2023 and 2022, respectively.

Finance Leases: The Company has a lease agreement for a building accounted for as a finance lease. The lease arrangement requires monthly payments through 2028. As of December 31, 2024, the weighted average remaining term for the finance lease was 3.9 years and the weighted average discount rate used in the measurement of finance lease liabilities was 6.0 %. Total finance lease costs for the year ended December 31, 2024 was $ 0.3 million.

The Company has included this lease in premises and equipment as follows December 31, 2024 and 2023:

	2024	2023
	(dollars in thousands)	
Finance lease	$ 3,423	$ 3,423
Less: accumulated amortization	2,738	2,567
	$ 685	$ 856

The following is a schedule by year of future minimum lease payments under the finance lease, together with the present value of net minimum lease payments as of December 31, 2024 (dollars in thousands):

2025	$ 353
2026	353
2027	353
2028	322
Thereafter	-
Total minimum lease payments	1,381
Less amount representing interest	147
Present value of net minimum lease payments	$ 1,234

Note 6 – Premises and Equipment – (continued)

Operating Leases: The Company leases certain premises and equipment under operating leases. As of December 31, 2024, the Company had lease liabilities totaling $ 15.5 million and right-of-use assets totaling $ 14.5 million. As of December 31, 2024, the weighted average remaining lease term for operating leases was 6.3 years and the weighted average discount rate used in the measurement of operating lease liabilities was 4.1 %. Total operating lease costs for the year ended December 31, 2024 were $ 3.5 million

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liability is as follows:

	December 31, 2024 (dollars in thousands)
Lease payments due:	
Less than 1 year	$ 3,576
1 year through less than 2 years	3,507
2 years through less than 3 years	2,863
3 years through less than 4 years	2,384
4 years through 5 years	1,141
After 5 years	4,380
Total undiscounted cash flows	17,851
Impact of discounting	(2,353)
Total lease liability	$ 15,498

Note 7 – Goodwill and Other Intangible Assets

A goodwill impairment test is required under ASC 350, Intangibles – Goodwill and Other, and the FASB issued ASU 2011-08, “Testing Goodwill for Impairment,” allowing an initial qualitative assessment of goodwill commonly known as step zero impairment testing. In general, the step zero test allows an entity to first assess qualitative factors to determine whether it is more likely than not (i.e., more than 50%) that the fair value of a reporting unit is less than its carrying value. If a step zero impairment test results in the conclusion that it is more likely than not that the fair value of the reporting unit exceeds its carrying value, then no further testing is required.

Based upon management’s review through December 31, 2024, the Company’s goodwill was not impaired. Management concludes that the ASC 350 goodwill step zero test has been passed, and no further testing is required.

Goodwill

The change in goodwill during the year is as follows:

	2024	2023
	(dollars in thousands)	
Balance, January 1	$ 208,372	$ 208,372
Acquired goodwill	-	-
Impairment	-	-
Balance, December 31	$ 208,372	$ 208,372

Note 7 – Goodwill and Other Intangible Assets – (continued)

Acquired Intangible Assets

The table below provides information regarding the carrying amounts and accumulated amortization of total amortized intangible assets as of the dates set forth below.

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(dollars in thousands)	
Core deposit intangibles			
December 31, 2024	$ 13,207	$ (8,568)	$ 4,639
Core deposit intangibles			
December 31, 2023	$ 18,515	$ (12,641)	$ 5,874

One core deposit intangible of $ 5.3 million in gross carrying value from a previous merger was fully amortized as of December 31, 2024 and is no longer reflected in the financial statements.

Aggregate amortization expense was approximately $ 1.2 million, $ 1.4 million and $ 1.7 million for 2024, 2023 and 2022, respectively. Estimated amortization expense for each of the next five years (dollars in thousands):

2025	$ 1,116
2026	1,050
2027	989
2028	930
2029	552

Note 8– Deposits

Time Deposits

As of December 31, 2024, and December 31, 2023, the Company's total time deposits were $ 2.6 billion and $ 2.4 billion, respectively. Included in time deposits were gross nonreciprocal brokered time deposits of $ 907.2 million and $ 915.5 million as of December 31, 2024 and 2023, respectively. As of December 31, 2024, the contractual maturities of these time deposits were as follows (dollars in thousands):

2025	$ 2,203,095
2026	297,852
2027	47,760
2028	7,572
2029	1,714
Time deposits (before discount)	$ 2,557,993
Fair value discount	(793)
Total time deposits (after discount)	$ 2,557,200

Time deposits that meets or exceeds $250,000 were $ 731.0 million and $ 680.9 million as of December 31, 2024 and 2023, respectively.

Note 9 – **FHLB Borrowings**

The Company's FHLB borrowings and weighted average interest rates are summarized below:

	December 31, 2024		December 31, 2023	
	Amount	Rate	Amount	Rate
	(dollars in thousands)			
By remaining period to maturity:				
Less than 1 year	$ 660,529	4.51%	$ 881,000	5.57%
1 year through less than 2 years	2,050	2.23	25,000	1.00
2 years through less than 3 years	260	2.85	2,050	2.23
3 years through less than 4 years	25,000	4.18	293	2.85
4 years through 5 years	-	-	25,000	4.18
After 5 Years	261	2.96	294	2.96
FHLB borrowings (before discount)	688,100	4.49%	933,637	5.41%
Fair value discount	(36)		(58)	
FHLB borrowings (after discount)	$ 688,064		$ 933,579	

The FHLB borrowings are secured by pledges of certain collateral including, but not limited to, U.S. government and agency mortgage-backed securities and a blanket assignment of qualifying first lien mortgage loans, consisting of both residential mortgages and commercial real estate loans.

Advances are payable at stated maturity, with a prepayment penalty for fixed rate advances. All FHLB advances have fixed rates. The advances as of December 31, 2024 were primarily collateralized by approximately $ 3.8 billion of commercial mortgage and residential loans, or $ 2.4 billion net of required over collateralization amounts, under a blanket lien arrangement. As of December 31, 2024, the Company had remaining borrowing capacity of billion approximately $ 1.1 billion at the FHLB.

Note 10 – Subordinated Debentures

During 2003, the Company formed a statutory business trust, which exists for the exclusive purpose of (i) issuing Trust Securities representing undivided beneficial interests in the assets of the Trust; (ii) investing the gross proceeds of the Trust securities in junior subordinated deferrable interest debentures (subordinated debentures) of the Company; and (iii) engaging in only those activities necessary or incidental thereto. On December 19, 2003, Center Bancorp Statutory Trust II, a statutory business trust and wholly-owned subsidiary of the Parent Corporation issued $ 5.0 million of MMCapS capital securities to investors due on January 23, 2034. The capital securities presently qualify as Tier I capital. The trust loaned the proceeds of this offering to the Company and received in exchange $ 5.2 million of the Parent Corporation's subordinated debentures. The subordinated debentures are redeemable in whole or in part prior to maturity. The floating interest rate on the subordinate debentures was previously three-month LIBOR plus 2.85 % and reprices quarterly. Upon the cessation of publication of LIBOR rates and pursuant to the Federal LIBOR Act and Federal Reserve regulations implementing the Act, applicable US Dollar LIBOR indexed instruments like the Company's outstanding $ 5.0 million of MMCapS capital securities converted effective June 30, 2023 to a new index based on CME Term SOFR, as defined in the LIBOR Act, plus a tenor spread adjustment, which is referred to as the Benchmark Replacement. Therefore, effective for quarterly interest rate resets after July 3, 2023 the subordinated debentures' floating rate will be three-month CME Term SOFR plus 2.85 % plus a tenor spread adjust of 0.26161 %. The rate as of December 31, 2024 was 7.70 %. These subordinated debentures and the related income effects are not eliminated in the consolidated financial statements, as the statutory business trust is not consolidated in accordance with FASB ASC 810-10 "Consolidation". Distributions on the subordinated debentures owned by the subsidiary trust have been classified as interest expense in the Consolidated Statements of Income.

The following table summarizes the mandatory redeemable trust preferred securities of the Company's Statutory Trust II as of December 31, 2024 and December 31, 2023.

As of December 31, 2024						
Issuance Date	Securities Issued		Liquidation Value	Coupon Rate	Maturity	Redeemable by Issuer Beginning
12/19/2003	$	5,000,000	$1,000 per Capital Security	Floating 3-month CME Term SOFR + 285 Basis Points + 26.161 Basis Points	1/23/2034	1/23/2009

As of December 31, 2023						
Issuance Date	Securities Issued		Liquidation Value	Coupon Rate	Maturity	Redeemable by Issuer Beginning
12/19/2003	$	5,000,000	$1,000 per Capital Security	Floating 3-month CME Term SOFR + 285 Basis Points + 26.161 Basis Points	1/23/2034	1/23/2009

Note 10– Subordinated Debentures - (continued)

On June 10, 2020, the Parent Corporation issued $ 75 million in aggregate principal amount of fixed-to-floating rate subordinated notes (the “2020 Notes”). The 2020 Notes bear interest at 5.75 % annually from, and including, the date of initial issuance to, but excluding, June 15, 2025 or the date of earlier redemption, payable semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 2020. From and including June 15, 2025 through maturity or earlier redemption, the interest rate shall reset quarterly to an interest rate per annum equal to a benchmark rate, which is expected to be Three-Month Term SOFR (as defined in the Second Supplemental Indenture), plus 560.5 basis points, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on June 15, 2025. Notwithstanding the foregoing, if the benchmark rate is less than zero, then the benchmark rate shall be deemed to be zero.

On January 11, 2018, the Parent Corporation issued $ 75 million in aggregate principal amount of fixed-to-floating rate subordinated notes (the “2018 Notes”). The 2018 Notes bore interest at a rate that resets quarterly to an interest rate per annum equal to the then current three-month LIBOR rate plus 284 basis points (2.84 %) payable quarterly in arrears. Interest on the 2018 Notes was to be paid on February 1, May 1, August 1, and November 1, of each year to but excluding the stated maturity date, unless in any case previously redeemed. The 2018 Notes were redeemed in full on February 1, 2023.

Note 11 – **Income Taxes**

The current and deferred amounts of income tax expense for 2024, 2023 and 2022 are as follows (dollars in thousands):

	2024	2023	2022
Current:			
Federal	$ 15,556	$ 16,185	$ 33,169
State	11,158	9,635	13,247
Subtotal	26,714	25,820	46,416
Deferred:			
Federal	258	2,903	(3,353)
State	(2,298)	1,232	2,950
Subtotal	(2,040)	4,135	(403)
Income tax expense	$ 24,674	$ 29,955	$ 46,013

Actual income tax expense differs from the tax computed based on pre-tax income and the applicable statutory federal tax rate for the following reasons (dollars in thousands) December 31,

	2024	2023	2022
Income before income tax expense	$ 98,467	$ 116,958	$ 171,224
Federal statutory rate	21%	21%	21%
Computed “expected” Federal income tax expense	20,678	24,561	35,957
State tax, net of federal tax benefit	6,514	9,404	13,314
162M adjustment	469	779	777
Bank owned life insurance	(1,500)	(1,326)	(1,175)
Tax-exempt interest and dividends	(2,632)	(2,514)	(1,969)
Tax benefits from stock-based compensation	109	(66)	(417)
Other, net	1,036	(883)	(474)
Income tax expense	$ 24,674	$ 29,955	$ 46,013

Note 11 – Income Taxes – (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset and deferred tax liability as of December 31, 2024 and 2023 are presented in the following table:

	2024	2023
	(dollars in thousands)	
Deferred tax assets		
Allowance for credit losses	$ 24,891	$ 23,973
Depreciation	6	65
Pension actuarial losses	272	897
New Jersey net operating loss	2,683	1,187
Deferred compensation	4,919	5,240
Unrealized losses on available-for-sale securities	25,959	23,365
Deferred loan costs, net of fees	1,608	1,628
Finance lease	163	192
Nonaccrual interest	275	111
Operating lease liability	4,671	3,897
Other	1,519	1,887
Total deferred tax assets	$ 66,966	$ 62,442
Deferred tax liabilities		
Employee benefit plans	$ (2,515)	$ (2,439)
Purchase accounting	(1,599)	(1,660)
Prepaid expenses	(1,551)	(1,386)
Unrealized gains on derivatives	(8,790)	(10,676)
Right of use asset	(4,304)	(3,545)
Other	(1,240)	(1,664)
Total deferred tax liabilities	(19,999)	(21,370)
Net deferred tax assets	$ 46,967	$ 41,072

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, the projected future taxable income, and tax planning strategies in making this assessment. During 2024 and 2023, based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes the net deferred tax assets are more likely than not to be realized. There are no unrecorded tax benefits, and the Company does not expect the total amount of unrecognized income tax benefits to significantly increase in the next twelve months.

Note 11 – Income Taxes – (continued)

On June 28, 2024, the State of New Jersey enacted legislation (A.B. 4704) introducing a 2.5 % surtax, termed the "Corporate Transit Fee," applicable to corporations with New Jersey allocated taxable net income exceeding $ 10 million. This fee is effective for privilege periods beginning on or after January 1, 2024, through December 31, 2028, and is in addition to the standard Corporation Business Tax (CBT) rate of 9%, resulting in a combined tax rate of 11.5 % for affected corporations. The Corporate Transit Fee applies to the entire taxable net income of corporations surpassing the $ 10 million threshold, not just the income above this amount. For combined group filers, the fee is assessed at the group level, and the income of all members, including public utilities and S corporations, is considered in determining the group's liability.

The Company files income tax returns in multiple jurisdictions and is subject to examination by federal, state, and local taxing authorities. The Company regularly assesses developments in tax laws and regulations that may impact its effective tax rate and financial reporting. The Company’s federal income tax returns that are currently open and subject to examination are from the tax year 2021 return and forward. The Company’s state income tax returns are generally open from the tax year 2020 and forward based on individual state statutes of limitations.

As of December 31, 2024, the Company has $ 29.5 million in New Jersey net operating loss (NOL). Of that total, $ 15.2 million is set to expire on December 31, 2043 and $ 14.3 million is set to expire on December 31, 2044.

Note 12 – Preferred Stock

On August 19, 2021, the Company completed an underwritten public offering of 115,000 shares, or $ 115 million in aggregate liquidation preference, of its depositary shares, each representing a 1/40th interest in a share of the Company’s 5.25 % Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series A, no par value, with a liquidation preference of $ 1,000 per share. The net proceeds received from the issuance of preferred stock at the time of closing were $ 110.9 million.

Note 13 – Commitments, Contingencies and Concentrations of Credit Risk

In the normal course of business, the Company has outstanding commitments and contingent liabilities, such as standby and commercial letters of credit, unused portions of lines of credit and commitments to extend various types of credit. Commitments to extend credit and standby letters of credit generally do not exceed one year.

These financial instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated financial statements. The commitment or contract amount of these financial instruments is an indicator of the Company's level of involvement in each type of instrument as well as the exposure to credit loss in the event of nonperformance by the other party to the financial instrument.

The Company controls the credit risk of these financial instruments through credit approvals, limits and monitoring procedures. To minimize potential credit risk, the Company generally requires collateral and other credit-related terms and conditions from the client. In the opinion of management, the financial condition of the Company will not be materially affected by the final outcome of these commitments and contingent liabilities. A substantial portion of the Bank's loans are secured by real estate located in New Jersey and New York. Accordingly, the collectability of a substantial portion of the loan portfolio of the Bank is susceptible to changes in the metropolitan New York real estate market.

The following table provides a summary of financial instruments with off-balance sheet risk as of December 31, 2024 and 2023:

	2024		2023	
	Fixed	Variable	Fixed	Variable
	(dollars in thousands)			
Commitments under commercial loans and lines of credit	$ 100,430	$ 647,652	$ 96,690	$ 626,538
Home equity and other revolving lines of credit	17	41,349	22	48,764
Outstanding commercial mortgage loan commitments	24,139	321,771	60,039	310,535
Standby letters of credit	190	41,276	163	23,399
Overdraft protection lines	640	178	645	184
Total	$ 125,416	$ 1,052,226	$ 157,559	$ 1,009,420

The Company is subject to claims and lawsuits that arise in the ordinary course of business. Based upon the information currently available in connection with such claims, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse impact on the consolidated financial position, results of operations, or liquidity of the Company.

Note 14 – **Transactions with Executive Officers, Directors and Principal Stockholders**

Loans to principal officers, directors, and their affiliates during the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
	(dollars in thousands)	
Balance, January 1	$ 20,323	$ 16,266
Originations and drawdowns	7,907	9,801
Repayments	(4,866)	(5,744)
Balance, December 31	$ 23,364	$ 20,323

Deposits from principal officers, directors, and their affiliates as of December 31, 2024 and 2023 were $ 51.9 million and $ 32.3 million respectively.

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties). The Company leases banking offices from related party entities. In addition, the Company also utilizes an advertising and public relations agency at which one of the Company's directors is President and CEO and a principal owner. For these transactions, the expenses are not significant to the operations of the Company.

Note 15 – **Stockholders' Equity and Regulatory Requirements**

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The accumulated other comprehensive gain or loss on securities and derivatives is not included in computing regulatory capital. Management believes as of December 31, 2024, the Bank and the Parent Corporation meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If an institution is classified as adequately capitalized or lower, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is growth and expansion, and capital restoration plans are required. As of December 31, 2024, and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Note 15 – Stockholders' Equity and Regulatory Requirements – (continued)

The following is a summary of the Bank's and the Parent Corporation's actual capital amounts and ratios as of December 31, 2024 and 2023, compared to the FRB and FDIC minimum capital adequacy requirements and the FDIC requirements for classification as a well-capitalized institution.

				Minimum Capital Adequacy			For Classification Under Corrective Action Plan as Well Capitalized		
		Amount	Ratio		Amount	Ratio		Amount	Ratio
The Bank				(dollars in thousands)					
December 31, 2024									
Leverage (Tier 1) capital	$	1,109,149	11.66%	$	380,444	4.00%	$	475,555	5.00%
Risk-Based Capital:									
CET 1	$	1,109,149	12.63	$	395,068	4.50	$	570,654	6.50
Tier 1		1,109,149	12.63		526,757	6.00		702,343	8.00
Total		1,194,249	13.60		702,343	8.00		877,929	10.00
December 31, 2023									
Leverage (Tier 1) capital	$	1,074,204	11.20%	$	383,619	4.00%	$	479,524	5.00%
Risk-Based Capital:									
CET 1	$	1,074,204	12.31	$	392,643	4.50	$	567,151	6.50
Tier 1		1,074,204	12.31		523,524	6.00		698,032	8.00
Total		1,158,572	13.28		698,032	8.00		872,540	10.00

				Minimum Capital Adequacy			For Classification as Well Capitalized	
		Amount	Ratio		Amount	Ratio	Amount	Ratio
The Company				(dollars in thousands)				
December 31, 2024								
Leverage (Tier 1) capital	$	1,079,011	11.33%	$	380,796	4.00%	N/A	N/A
Risk-Based Capital:								
CET 1	$	962,929	10.97	$	395,075	4.50	N/A	N/A
Tier 1		1,079,011	12.29		526,767	6.00	N/A	N/A
Total		1,239,111	14.11		702,356	8.00	N/A	N/A
December 31, 2023								
Leverage (Tier 1) capital	$	1,042,481	10.86%	$	383,900	4.00%	N/A	N/A
Risk-Based Capital:								
CET 1	$	926,399	10.62	$	392,650	4.50	N/A	N/A
Tier 1		1,042,481	11.95		523,533	6.00	N/A	N/A
Total		1,201,849	13.77		698,044	8.00	N/A	N/A

As of December 31, 2024, both the Company and Bank satisfy the capital conservation buffer requirements applicable to them. The lowest ratio at the Company is the Total Risk Capital Ratio which was 3.61 % above the minimum buffer ratio and, at the Bank, the lowest ratio was the Total Risk Based Capital Ratio which was 3.10 % above the minimum buffer ratio.

Note 16 – Comprehensive Income

Total comprehensive income includes all changes in equity during a period from transactions and other events and circumstances from non-owner sources. The Company's other comprehensive income is comprised of unrealized holding gains and losses on securities available-for-sale, unrealized gains and losses on cash flow hedges, obligations for defined benefit pension plan and an adjustment to reflect the curtailment of the Company's defined benefit pension plan, each net of taxes.

The following table represents the reclassification out of accumulated other comprehensive (loss) income for the periods presented:

Details about Accumulated Other Comprehensive Income (Loss) Components	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) For the Year Ended December 31,			Affected Line Item in the Consolidated Statements of Income
(dollars in thousands)	2024	2023	2022	
Net interest income on derivatives	$ 21,762	$ 20,230	$ 3,243	Interest income
	(6,117)	(6,086)	(976)	Income tax expense
	15,645	14,144	2,267	
Amortization of pension plan net actuarial losses	(171)	(296)	(66)	Salaries and employee benefits
	48	89	20	Income tax benefit
	(123)	(207)	(46)	
Total reclassification	$ 15,522	$ 13,937	$ 2,221	

Accumulated other comprehensive loss as of December 31, 2024 and 2023 consisted of the following:

	2024	2023
	(dollars in thousands)	
Investment securities available-for-sale, net of tax	$ (69,632)	$ (57,835)
Derivatives, net of tax	22,481	24,810
Defined benefit pension, net of tax	(695)	(2,084)
Total	$ (47,846)	$ (35,109)

Note 17 – Pension and Other Benefits

Defined Benefit Plans

The Company maintains a frozen, noncontributory pension plan covering employees of the Company prior to the merger with Legacy ConnectOne. The benefits are based on years of service and the employee's compensation over the prior five-year period. The plan's benefits are payable in the form of a ten-year certain and life annuity. The plan is intended to be a tax-qualified defined benefit plan under Section 401(a) of the Internal Revenue Code. Payments may be made under the Pension Plan once attaining the normal retirement age of 65 and are generally equal to 44% of a participant's highest average compensation over a 5-year period.

The following table sets forth changes in projected benefit obligation, changes in fair value of plan assets, funded status, and amounts recognized in the consolidated statements of condition for the Company's pension plans as of December 31, 2024 and 2023.

	2024	2023
	(dollars in thousands)	
Change in Benefit Obligation:		
Projected benefit obligation as of January 1,	$ 9,335	$ 9,317
Interest cost	424	441
Actuarial (gain) loss	(433)	251
Benefits paid	(1,121)	(674)
Projected benefit obligation as of December 31,	$ 8,205	$ 9,335
Change in Plan Assets:		
Fair value of plan assets as of January 1,	$ 14,614	$ 13,257
Actual return on plan assets	2,211	2,031
Benefits paid	(1,121)	(674)
Fair value of plan assets as of December 31,	$ 15,704	$ 14,614
Funded status	$ 7,499	$ 5,279

The accumulated benefit obligation was $ 8.2 million and $ 9.3 million for the years ended December 31, 2024 and 2023, respectively.

Note 17 – Pension and Other Benefits – (continued)

Amounts recognized as a component of accumulated other comprehensive loss as of the periods presented that have not been recognized as a component of the net periodic pension expense for the plan are presented in the following table. As of December 31, 2024, the Company expects to recognize approximately $ 0.5 million of the net actuarial loss as a component of net periodic pension expense during 2025.

	As of December 31, 2024	As of December 31, 2023
	(dollars in thousands)	
Net actuarial loss recognized in accumulated other comprehensive income (pre-tax)	$ 967	$ 2,981

The pre-tax, net periodic pension expense (income) and other comprehensive income for the years ended December 31, 2024, 2023 and 2022 includes the following:

	2024	2023	2022
		(dollars in thousands)	
Interest cost	$ 424	$ 440	$ 311
Expected return on plan assets	(856)	(838)	(949)
Net amortization	171	296	66
Settlement loss	55	-	-
Total net periodic pension income	$ (206)	$ (102)	$ (572)
Actuarial gain	(1,788)	(941)	(343)
Net amortization included in net income	(171)	(296)	(66)
Settlement loss included in net income	(55)	-	-
Total changes recognized in other comprehensive income	(2,014)	(1,237)	(409)
Total recognized in net periodic pension income and other comprehensive income	$ (2,220)	$ (1,339)	$ (981)

Note 17 – Pension and Other Benefits – (continued)

The following table presents the weighted average assumptions used to determine the pension benefit obligations as of December 31, for the following periods.

	2024	2023
Discount rate	5.38%	4.72%
Rate of compensation increase	N/A	N/A

The following table presents the weighted average assumptions used to determine net periodic pension cost for the following three years:

	2025	2024	2023
Discount rate	5.38%	4.72%	4.92%
Expected long-term return on plan assets	6.00%	6.00%	6.50%
Rate of compensation increase	N/A	N/A	N/A

The process of determining the overall expected long-term rate of return on plan assets begins with a review of appropriate investment data, including current yields on fixed income securities, historical investment data, historical plan performance and forecasts of inflation and future total returns for the various asset classes. This data forms the basis for the construction of a best-estimate range of real investment returns for each asset class. A weighted average real-return range is computed reflecting the plan's expected asset mix, and that range, when combined with an expected inflation range, produces an overall best-estimate expected return range. Specific factors such as the plan's investment policy, reinvestment risk and investment volatility are taken into consideration during the construction of the best estimate real return range, as well as in the selection of the final return assumption from within the range.

Plan Assets

The general investment policy of the Pension Trust is for the fund to experience growth in assets that will allow the market value to exceed the value of benefit obligations over time. The Company's pension plan asset allocation as of December 31, 2024 and 2023, target allocation, and expected long-term rate of return by asset are as follows:

	Target Allocation	% of Plan Assets – Year Ended 2024	% of Plan Assets – Year Ended 2023	Weighted Average Expected Long-Term Rate of Return
Equity Securities				
Domestic	60%	70%	66%	4.0%
International	7	3	4	0.6
Debt and/or fixed income securities	31	24	28	1.3
Cash and other alternative investments, including real estate funds, commodity funds, hedge funds and equity structured notes	2	3	2	0.1
Total	100%	100%	100%	6.0%

Note 17 – Pension and Other Benefits – (continued)

The fair values of the Company's pension plan assets as of December 31, 2024 and 2023, by asset class, are as follows:

Asset Class	December 31, 2024	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(dollars in thousands)			
Cash	$ 393	$ 393	$ -	$ -
Equity securities:				
U.S. companies	10,952	10,952	-	-
International companies	475	475	-	-
Debt and/or fixed income securities	3,807	3,807	-	-
Commodity funds	52	52	-	-
Real estate funds	25	25	-	-
Total	$ 15,704	$ 15,704	$ -	$ -

Asset Class	December 31, 2023	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(dollars in thousands)			
Cash	$ 201	$ 201	$ -	$ -
Equity securities:				
U.S. companies	9,647	9,647	-	-
International companies	654	654	-	-
Debt and/or fixed income securities	4,012	4,012	-	-
Commodity funds	62	62	-	-
Real estate funds	38	38	-	-
Total	$ 14,614	$ 14,614	$ -	$ -

Fair Value of Plan Assets

The Company used the following valuation methods and assumptions to estimate the fair value of assets held by the plan (for further information on fair value methods, see Note 21):

Equity securities and real estate funds: The fair values for equity securities and real estate funds are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

Note 17 – Pension and Other Benefits – (continued)

Debt and fixed income securities: Certain debt securities are valued at the closing price reported in the active market in which the bond is traded (Level 1 inputs). Other debt securities are valued based upon recent bid prices or the average of recent bid and asked prices when available (Level 2 inputs) and, if not available, they are valued through matrix pricing models developed by sources considered by management to be reliable. Matrix pricing, which is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using spread to continuous yield or quoted market pricing curves. During times when trading is more liquid, broker quotes are used (if available) to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated into the calculations.

The investment manager is not authorized to purchase, acquire or otherwise hold certain types of market securities (subordinated bonds, real estate investment trusts, limited partnerships, naked puts, naked calls, stock index futures, oil, gas or mineral exploration ventures or unregistered securities) or to employ certain types of market techniques (margin purchases or short sales) or to mortgage, pledge, hypothecate, or in any manner transfer as security for indebtedness, any security owned or held by the Plan.

Cash Flows

Contributions

The Bank does not expect to make a contribution in 2025.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, for the following years are as follows (dollars in thousands):

2025	$	732
2026		734
2027		774
2028		773
2029		761
2030 - 2034		3,544

401(k) Plan

The Company maintains a 401(k) plan to provide for defined contributions which covers substantially all employees of the Company. Beginning with the 2014 plan year, the 401(k) plan was amended to provide for a match of 50 % of elective contributions, up to 6% of employee salaries. In 2018, the 401 (k) plan was amended to provide for 100 % matching of employee contributions up to 5% of employee salaries. For 2024, 2023 and 2022, employer contributions amounted to $ 2.8 million, $ 2.6 million and $ 2.2 million, respectively.

Supplemental Executive Retirement Plan ("SERP")

During 2019 and in 2022, the Company adopted supplemental executive retirement plans ("SERP's") for the benefit of several of its executive officers. Each SERP is a non-qualified plan which provides supplemental retirement benefits to the participating officers of the Company. SERP compensation expense was $ 1.2 million, $ 0.4 million and $ 1.4 million for the years ended December 31, 2024, December 31, 2023 and December 31, 2022, respectively.

Note 18 – Stock Based Compensation

The Company's stockholders approved the 2017 Equity Compensation Plan ("the Plan") on May 23, 2017. The Plan eliminates all remaining issuable shares under previous plans and is the only outstanding plan as of December 31, 2024. On May 30, 2023, the Company's stockholders approved an amendment to the Plan that increased the maximum number of shares issuable to 1,200,000 . Grants under the Plan can be in the form of stock options (qualified or non-qualified), restricted shares, deferred stock units or performance units. Shares available for grant and issuance under the Plan as of December 31, 2024 are approximately 332,638 . The Company intends to issue all shares under the Plan in the form of newly issued shares.

As of both December 31, 2024 and December 31, 2023, the Company did not have any outstanding stock options. Restricted stock and deferred stock units typically have a three-year vesting period starting one year after the date of grant with one-third vesting each year. Restricted stock granted to new employees and board members may be granted with shorter vesting periods. Grants of performance units typically have a cliff vesting after three years or upon a change of control. All issuances are subject to forfeiture if the recipient leaves or is terminated prior to the awards vesting. Restricted shares have the same dividend and voting rights as common stock, while options, performance units and deferred stock units do not.

All awards are issued at the fair value of the underlying shares at the grant date. The Company expenses the cost of the awards, which is determined to be the fair market value of the awards at the date of grant, ratably over the vesting period. Forfeiture rates are not estimated but are recorded as incurred. Stock-based compensation expense was $ 4.6 million, $ 4.9 million and $ 4.9 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Note 18 – Stock Based Compensation - (continued)

Activity under the Company's restricted shares for year ended December 31, 2024 was as follows:

	Nonvested Shares	Weighted-Average Grant Date Fair Value
Nonvested as of December 31, 2023	115,805	$ 17.85
Granted	73,943	19.09
Vested	(76,770)	18.42
Forfeited	(2,638)	18.97
Nonvested December 31, 2024	110,340	$ 18.26

Note 18 – Stock Based Compensation – (continued)

As of December 31, 2024, there was approximately $ 0.7 million of total unrecognized compensation cost related to nonvested restricted shares granted. The cost is expected to be recognized over a weighted average period of 1.1 years.

A summary of the status of unearned performance unit awards and the change during the period is presented in the table below:

	Units (expected)	Units (maximum)	Weighted Average Grant Date Fair Value
Unearned as of December 31, 2023	164,231		$ 23.06
Awarded	91,691		19.01
Change in estimate - decrease	(19,616)		17.93
Change in estimate - increase	16,667		28.79
Vested shares	(53,041)		25.24
Cancelled	(10,260)		23.10
Unearned as of December 31, 2024	189,672	302,196	$ 21.52

As of December 31, 2024, the specific number of shares related to performance units that were expected to vest was 189,674 , determined by actual performance in consideration of the established range of the performance targets, which is consistent with the level of expense currently being recognized over the vesting period. Should this expectation change, additional compensation expense could be recorded in future periods or previously recognized expense could be reversed. As of December 31, 2024, the maximum amount of performance units that ultimately could vest if performance targets were exceeded is 302,196 . During the year ended December 31, 2024, 53,041 shares vested. A total of 28,971 shares were netted from the vested shares to satisfy employee tax obligations. The net shares issued from vesting of performance units during the year ended December 31, 2024 were 24,070 shares. As of December 31, 2024, compensation cost of approximately $ 1.5 million related to non-vested performance units not yet recognized is expected to be recognized over a weighted-average period of 1.8 years.

A summary of the status of unearned deferred stock units and the changes in deferred stock units during the period is presented in the table below:

	Units (expected)	Weighted Average Grant Date Fair Value
Unearned as of December 31, 2023	188,348	$ 22.11
Awarded	81,736	19.01
Vested shares	(80,888)	23.05
Cancelled	(7,360)	21.53
Unearned as of December 31, 2024	181,836	$ 20.32

Any shares cancelled would result in previously recognized expense being reversed. A portion of the shares that vest will be netted out to satisfy the tax obligations of the recipient. During the year ended December 31, 2024, 80,888 shares vested. A total of 43,346 shares were netted from the vested shares to satisfy employee tax obligations. The net shares issued from vesting of deferred stock units during the year ended December 31, 2024 were 37,542 shares. As of December 31, 2024, compensation cost of approximately $ 1.1 million related to non-vested deferred stock units, not yet recognized, is expected to be recognized over a weighted-average period of 1.4 years.

Note 19 – Dividends and Other Restrictions

Certain restrictions, including capital requirements, exist on the availability of undistributed net profits of the Bank for the future payment of dividends to the Parent Corporation. A dividend may not be paid if it would impair the capital of the Bank. As of December 31, 2024, approximately $ 316.3 million was available for payment of dividends based on regulatory guidelines.

Note 20 – Derivatives

As part of our overall asset liability management and strategy the Company uses derivative instruments, which can include interest rate swaps, collars, caps, and floors. The notional amount does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual agreements. Derivative instruments are recognized on the balance sheet at their fair value and are not reported on a net basis.

Derivatives Designated as Hedges

Subsequent changes in fair value for a hedging instrument that has been designated and qualifies as part of a hedging relationship are accounted for in the following manner:

1) Cash flow hedges: changes in fair value are recognized as a component in other comprehensive income
2) Fair value hedges: changes in fair value are recognized concurrently in earnings

As long as a hedging instrument is designated and the results of the effectiveness testing support that the instrument qualifies for hedge accounting treatment, 100% of the periodic changes in fair value of the hedging instrument are accounted for as outlined above. This is the case whether or not economic mismatches exist in the hedging relationship. As a result, there is no periodic measurement or recognition of ineffectiveness. Rather, the full impact of hedge gains and losses is recognized in the period in which the hedged transactions impact earnings. The change in fair value of the hedging instrument that is included in the assessment of hedge effectiveness is presented in the same income statement line item that is used to present the earnings effect of the hedged item.

Cash Flow Hedges

The Company during 2021, 2022 and 2024 entered into twelve pay fixed-rate interest rate swaps, with a total notional amount of $ 550 million. These are designated as cash flow hedges of outstanding Federal Home Loan Bank advances. We are required to pay fixed rates of interest ranging from 0.63 % to 3.72 % and receive variable rates of interest that reset quarterly based on the daily compounding secured overnight financing rate (“SOFR”). The twelve swaps carry expiration dates ranging from December 2025 to March 2028. The swaps are determined to be fully effective during the period presented and therefore no amount of ineffectiveness has been included in net income. Therefore, the aggregate fair value of the swap is recorded in other assets (liabilities) with changes in fair value recorded in other comprehensive income (loss). The amount included in accumulated other comprehensive income (loss) would be reclassified to current earnings should the hedges no longer be considered effective. The Company expects the hedges to remain fully effective during the remaining term of the swaps.

The Company previously entered into two forward starting interest rate cap spread transactions, one with a total notional amount of $ 150 million, which became effective on October 1, 2022 and which matures in October of 2027 and one interest rate cap spread transaction, with a total notional amount of $ 75 million, which became effective in November 2022 and which matures in November of 2027. These are designated as cash flow hedges of brokered certificates of deposit, and the interest rate cap spread is indexed to a benchmark of fed funds with payment required on a monthly basis. The structure of these instruments is such that the Company entered into a total of $225 million in notional amount of sold interest rate cap agreements, in which we are required to pay the counterparty an incremental amount if the index rate exceeds a set cap rate. Simultaneously, the Company purchased a total of $ 225 million notional amount of interest rate cap agreements in which we receive an incremental amount if the index rate is above a set cap rate. No payments are required if the index rate is at, or below, the cap rate on the sold or purchased interest rate cap agreements.

Interest income recorded on these swap and cap transactions totaled approximately $ 21.8 million, $ 20.2 million, and $ 3.3 million during 2024, 2023, and 2022 and is reported as a component of either interest expense on FHLB advances or brokered certificates of deposits.

Note 20 – Derivatives (continued)

The following table presents the net gains (losses), recorded in accumulated other comprehensive income and the Consolidated Statements of Income relating to the cash flow derivative instruments for the years ended December 31, 2024 and 2023:

	2024		
(dollars in thousands)	Amount of gain (loss) recognized in OCI (Effective Portion)	Amount of (gain) loss reclassified from OCI to interest expense	Amount of gain (loss) recognized in other Noninterest income (Ineffective Portion)
Interest rate contracts	$ 17,547	$ (21,762)	$ -

	2023		
(dollars in thousands)	Amount of gain (loss) recognized in OCI (Effective Portion)	Amount of (gain) loss reclassified from OCI to interest expense	Amount of gain (loss) recognized in other Noninterest income (Ineffective Portion)
Interest rate contracts	$ 9,431	$ (20,230)	$ -

The following table reflects the cash flow hedges included in the Consolidated Statements of Condition as of December 31, 2024 and December 31, 2023:

	2024		2023	
(dollars in thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets/(liabilities):				
Interest rate contracts	$ 1,000,000	$ 37,398	$ 950,000	$ 43,805

There were no net gains (losses) recorded in accumulated other comprehensive income or in the Consolidated Statement of Income relating to cash flow derivative instruments for the years ended December 31, 2024 and December 31, 2023.

Note 21 – **Fair Value Measurements and Fair Value of Financial Instruments**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The FASB ASC 820-10, “Fair Value Measurements and Disclosures”, is the standard used to govern disclosures related to fair value measurements. FASB ASC 820-10-05 defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

FASB ASC 820-10-65 provides additional guidance for estimating fair value in accordance with FASB ASC 820-10-05 when the volume and level of activity for the asset or liability have significantly decreased. This ASC also includes guidance on identifying circumstances that indicate a transaction is not orderly.

FASB ASC 820-10-05 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10-05 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (for example, supported with little or no market activity).

An asset’s or liability’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company’s assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company’s disclosures and those of other companies may not be meaningful.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following methods and assumptions were used to estimate the fair values of the Company’s assets measured at fair value on a recurring basis as of December 31, 2024 and December 31, 2023:

Securities Available-for-Sale: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 inputs include securities that have quoted prices in active markets for identical assets. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of instruments, which would generally be classified within Level 2 of the valuation hierarchy include municipal bonds and certain agency collateralized mortgage obligations. In certain cases where there is limited activity in the market for a particular instrument, assumptions must be made to determine the fair value of the instruments and these are classified as Level 3. When measuring fair value, the valuation techniques available under the market approach, income approach and/or cost approach are used. The Company’s evaluations are based on market data and the Company employs combinations of these approaches for its valuation methods depending on the asset class.

Derivatives: The fair value of derivatives are based on valuation models using observable market data as of the measurement date (level 2). Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rate, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

Note 21 – Fair Value Measurements and Fair Value of Financial Instruments (continued)

For financial assets and liabilities measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2024 and December 31, 2023 are as follows:

		December 31, 2024		
		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Assets				
Investment securities:				
Available-for-sale:				
Federal agency obligations	$ 84,670	$ -	$ 84,670	$ -
Residential mortgage pass-through securities	378,838	-	378,838	-
Commercial mortgage pass-through securities	20,892	-	20,892	-
Obligations of U.S. states and political subdivision	122,404	-	115,878	6,526
Corporate bonds and notes	4,987	-	4,987	-
Asset-backed securities	885	-	885	-
Certificates of deposit	-	-	-	-
Other securities	171	171	-	-
Total available-for-sale	$ 612,847	$ 171	$ 606,150	$ 6,526
Equity securities	20,092	9,739	10,353	-
Derivatives - interest rate contracts	37,398	-	37,398	-
Total assets	$ 670,337	$ 9,910	$ 653,901	$ 6,526

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2024 and 2023.

Note 21 – Fair Value Measurements and Fair Value of Financial Instruments (continued)

		December 31, 2023		
		Fair Value Measurements at Reporting Date Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(dollars in thousands)				
Recurring fair value measurements:				
Assets				
Investment securities:				
Available-for-sale:				
Federal agency obligations	$ 45,326	$ -	$ 45,326	$ -
Residential mortgage pass-through securities	411,191	-	411,191	-
Commercial mortgage pass-through securities	21,564	-	21,564	-
Obligations of U.S. states and political subdivision	132,705	-	125,583	7,122
Corporate bonds and notes	4,973	-	4,973	-
Asset-backed securities	1,238	-	1,238	-
Certificates of deposit	-	-	-	-
Other securities	165	165	-	-
Total available-for-sale	$ 617,162	$ 165	$ 609,875	$ 7,122
Equity securities	18,564	9,867	8,697	-
Derivatives - interest rate contracts	43,805	-	43,805	-
Total assets	$ 679,531	$ 10,032	$ 662,377	$ 7,122

Assets Measured at Fair Value on a Non-Recurring Basis

The Company may be required periodically to measure certain assets at fair value on a non-recurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower of cost or fair value accounting or impairment write-downs of individual assets. The following methods and assumptions were used to estimate the fair values of the Company’s assets measured at fair value on a non-recurring basis as of December 31, 2024 and December 31, 2023:

Note 21 – Fair Value Measurements and Fair Value of Financial Instruments – (continued)

Collateral Dependent Loans: The Company may record adjustments to the carrying value of loans based on fair value measurements, either as an individually evaluated allowance or as partial charge-offs of the uncollectible portions of these loans. Individually evaluated allowances are calculated in accordance with GAAP. Individually evaluated allowances are generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the individually evaluated allowance amount applicable to that loan does not necessarily represent the fair value of the loan. Real estate collateral is valued using independent appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable by market participants. However, due to the substantial judgment applied and limited volume of activity as compared to other assets, fair value is based on Level 3 inputs. Estimates of fair value used for collateral supporting commercial loans generally are based on assumptions not observable in the marketplace and are also based on Level 3 inputs.

For assets measured at fair value on a nonrecurring basis, the fair value measurements as of December 31, 2024 and December 31, 2023 are as follows:

		Fair Value Measurements at Reporting Date Using		
	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value on a nonrecurring basis:		(dollars in thousands)		
Collateral dependent loans:				
Commercial	$ 726	$ -	$ -	$ 726
Commercial real estate	2,913	-	-	2,913

		Fair Value Measurements at Reporting Date Using		
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value on a nonrecurring basis:		(dollars in thousands)		
Collateral dependent loans:				
Commercial	$ 657	$ -	$ -	$ 657
Commercial real estate	7,005	-	-	7,005

Collateral dependent loans - Collateral dependent loans as of December 31, 2024 that required a valuation allowance were $ 4.7 million with a related valuation allowance of $ 1.1 million. As of December 31, 2023 loans that required a valuation allowance were $ 9.0 million with a related valuation allowance of $ 1.3 million.

Note 21 – Fair Value Measurements and Fair Value of Financial Instruments – (continued)

Assets Measured With Significant Unobservable Level 3 Inputs

Recurring basis

The tables below present a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2024 and year ended December 31, 2023:

	Municipal Securities
	(dollars in thousands)
Beginning balance, January 1, 2024	$ 7,122
Principal paydowns	(304)
Changes in unrealized gain (loss)	(292)
Ending balance, December 31, 2024	$ 6,526

	Municipal Securities
	(dollars in thousands)
Beginning balance, January 1, 2023	$ 7,349
Principal paydowns	(272)
Changes in unrealized gain (loss)	45
Ending balance, December 31, 2023	$ 7,122

The following methods and assumptions were used to estimate the fair values of the Company's assets measured at fair value on a recurring basis as of December 31, 2024 and December 31, 2023. The table below provides quantitative information about significant unobservable inputs used in fair value measurements within Level 3 hierarchy.

December 31, 2024	Fair Value	Valuation Techniques	Unobservable Input	Range
		(dollars in thousands)		
Securities available-for-sale:				
Municipal securities	$ 6,526	Discounted cash flows	Discount rate	5.0%

December 31, 2023	Fair Value	Valuation Techniques	Unobservable Input	Range
		(dollars in thousands)		
Securities available-for-sale:				
Municipal securities	$ 7,122	Discounted cash flows	Discount rate	4.3%

Note 21 – Fair Value Measurements and Fair Value of Financial Instruments – (continued)

Non-recurring basis

The following methods and assumptions were used to estimate the fair values of the Company's assets measured at fair value on a non-recurring basis for the periods presented. The tables below provide quantitative information about significant unobservable inputs used in fair value measurements within Level 3 hierarchy.

December 31, 2024

(dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Input	Range (weighed average)
Commercial loans	$ 726	Appraisals of collateral	Adjustment for comparable sales	-10% to +5% (-4.3%)
Commercial real estate loans	2,913	Appraisals of collateral	Adjustment for comparable sales	-40% to +0% (-14.3%)

December 31, 2023

(dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Input	Range (weighed average)
Commercial loans	$ 657	Appraisals of collateral	Adjustment for comparable sales	-7.5% to +25% (+.1%)
Commercial real estate loans	7,005	Appraisals of collateral	Adjustment for comparable sales	-15% to +0% (-10.3%)

Note 21 – Fair Value Measurements and Fair Value of Financial Instruments – (continued)

Fair Value of Financial Instruments

FASB ASC 825-10 requires all entities to disclose the estimated fair value of their financial instrument assets and liabilities. For the Company, as for most financial institutions, the majority of its assets and liabilities are considered financial instruments as defined in FASB ASC 825-10. Many of the Company's financial instruments, however, lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction. It is also the Company's general practice and intent to hold its financial instruments to maturity and not to engage in trading or sales activities except for loans held-for-sale and investment securities available-for-sale. Therefore, significant estimations and assumptions, as well as present value calculations, were used by the Company for the purposes of this disclosure.

Fair values for financial instruments must be estimated by management using techniques such as discounted cash flow analysis and comparison to similar instruments. These estimates are highly subjective and require judgments regarding significant matters, such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. Changes in these judgments often have a material effect on the fair value estimates. Since these estimates are made as of a specific point in time, they are susceptible to material near-term changes. Fair values disclosed in accordance with ASC Topic 825 do not reflect any premium or discount that could result from the sale of a large volume of a particular financial instrument, nor do they reflect possible tax ramifications or estimated transaction costs.

Cash and cash equivalents. The carrying amounts of cash and short-term instruments approximate fair values.

FHLB stock. It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Loans. The fair value of portfolio loans, net is determined using an exit price methodology. The exit price methodology continues to be based on a discounted cash flow analysis, in which projected cash flows are based on contractual cash flows adjusted for prepayments for certain loan types (*e.g.,* residential mortgage loans and multi family loans) and the use of a discount rate based on expected relative risk of the cash flows. The discount rate selected considers loan type, maturity date, a liquidity premium, cost to service, and cost of capital, which is a Level 3 fair value estimate.

Deposits. The carrying amounts of deposits with no stated maturities (i.e., non-interest-bearing, savings, NOW, and money market deposits) are assigned fair values equal to the carrying amounts payable on demand. The fair value of time deposits is based on the discounted value of contractual cash flows using estimated rates currently offered for alternative funding sources of similar remaining maturity.

Term Borrowings and Subordinated Debentures. The fair value of the Company's long-term borrowings and subordinated debentures were calculated using a discounted cash flow approach and applying discount rates currently offered based on weighted remaining maturities.

Accrued Interest Receivable/Payable. The carrying amounts of accrued interest approximate fair value resulting in a level 2 or level 3 classification based on the level of the asset or liability with which the accrual is associated.

Note 21 – Fair Value Measurements and Fair Value of Financial Instruments – (continued)

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of December 31, 2024 and December 31, 2023:

			Fair Value Measurements		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(dollars in thousands)		
December 31, 2024					
Financial assets:					
Cash and due from banks	$ 356,488	$ 356,488	$ 356,488	$ -	$ -
Investment securities available-for-sale	612,847	612,847	171	606,150	6,526
Restricted investment in bank stocks	40,449	n/a	n/a	n/a	n/a
Equity securities	20,092	20,092	9,739	10,353	-
Net loans	8,192,125	7,980,038	-	-	7,980,038
Derivatives - interest rate contracts	37,398	37,398	-	37,398	-
Accrued interest receivable	45,498	45,498	-	5,444	40,054
Financial liabilities:					
Noninterest-bearing deposits	1,422,044	1,422,044	1,422,044	-	-
Interest-bearing deposits	6,398,070	6,387,896	3,840,870	2,547,026	-
Borrowings	688,064	687,273	-	687,273	-
Subordinated debentures	79,944	77,968	-	77,968	-
Accrued interest payable	9,320	9,320	-	9,320	-
December 31, 2023					
Financial assets:					
Cash and due from banks	$ 242,714	$ 242,714	$ 242,714	$ -	$ -
Investment securities available-for-sale	617,162	617,162	165	609,875	7,122
Restricted investment in bank stocks	51,457	n/a	n/a	n/a	n/a
Equity securities	18,564	18,564	9,867	8,697	-
Net loans	8,263,171	8,001,504	-	-	8,001,504
Derivatives - interest rate contracts	43,805	43,805	-	43,805	-
Accrued interest receivable	49,108	49,108	-	5,387	43,721
Financial liabilities:					
Noninterest-bearing deposits	1,259,364	1,259,364	1,259,364	-	-
Interest-bearing deposits	6,276,838	6,256,444	3,745,467	2,510,977	-
Borrowings	933,579	932,081	-	932,081	-
Subordinated debentures	79,439	77,952	-	77,952	-
Accrued interest payable	10,152	10,152	-	10,152	-

Note 21 – Fair Value Measurements and Fair Value of Financial Instruments – (continued)

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, considering the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. The fair value of commitments to originate loans is immaterial and not included in the tables above.

Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

The Company's remaining assets and liabilities, which are not considered financial instruments, have not been valued differently than has been customary with historical cost accounting. No disclosure of the relationship value of the Company's core deposit base is required by FASB ASC 825-10.

Fair value estimates are based on existing balance sheet financial instruments, without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, there are certain significant assets and liabilities that are not considered financial assets or liabilities, such as the brokerage network, deferred taxes, premises and equipment, and goodwill. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Management believes that reasonable comparability between financial institutions may not be likely, due to the wide range of permitted valuation techniques and numerous estimates which must be made, given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values.

Note 22 – Parent Corporation Only Financial Statements

The Parent Corporation operates its wholly-owned subsidiary, the Bank. The earnings of this subsidiary are recognized by the Parent Corporation using the equity method of accounting. Accordingly, earnings are recorded as increases in the Parent Corporation's investment in the subsidiaries and dividends paid reduce the investment in the subsidiaries. The ability of the Parent Corporation to pay dividends will largely depend upon the dividends paid to it by the Bank. Dividends payable by the Bank to the Parent Corporation are restricted under supervisory regulations (see Note 19 of the Notes to Consolidated Financial Statements).

Condensed financial statements of the Parent Corporation only are as follows:

	Condensed Statements of Condition	
	As of December 31,	
	2024	2023
	(dollars in thousands)	
ASSETS		
Cash and cash equivalents	$ 36,152	$ 35,885
Investment in subsidiaries	1,276,997	1,253,497
Investment securities	156	156
Equity securities	8,654	6,957
Other assets	3	-
Total assets	$ 1,321,962	$ 1,296,495
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities	314	436
Subordinated debentures, net	79,944	79,439
Stockholders' equity	1,241,704	1,216,620
Total liabilities and stockholders' equity	$ 1,321,962	$ 1,296,495

	Condensed Statements of Income		
	For Years Ended December 31,		
	2024	2023	2022
	(dollars in thousands)		
Income:			
Dividend income from subsidiaries	$ 45,950	$ 50,725	$ 36,475
Other income	177	946	1,638
Total Income	46,127	51,671	38,113
Expenses	(5,406)	(6,359)	(8,928)
Income before equity in undistributed earnings of subsidiaries	40,721	45,312	29,185
Equity in undistributed earnings of subsidiaries	33,072	41,691	96,026
Net Income	73,793	87,003	125,211
Preferred dividends	6,036	6,036	6,037
Net income available to common stockholders	$ 67,757	$ 80,967	$ 119,174

Note 22 – Parent Corporation Only Financial Statements – (continued)

	Condensed Statements of Cash Flows		
	For Years Ended December 31		
	2024	2023	2022
	(dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 73,793	$ 87,003	$ 125,211
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiary	(33,072)	(41,691)	(96,026)
(Gain) loss on equity securities, net	(164)	131	45
Amortization of subordinated debt issuance costs	505	1,184	304
(Increase) decrease in other assets	(3)	699	-
Decrease in other liabilities	(122)	(1,384)	(14)
Net cash provided by operating activities	40,937	45,942	29,520
Cash flows from investing activities:			
Payments for investments and advances in subsidiaries	-	(32,250)	-
Repayment of investments and advances in subsidiaries	-	32,250	-
Purchases of equity securities	(1,533)	(2,870)	(3,538)
Net cash used in investing activities	(1,533)	(2,870)	(3,538)
Cash flows from financing activities:			
Repayment of subordinated debt	-	(75,000)	-
Cash dividends paid on preferred stock	(6,036)	(6,036)	(6,037)
Cash dividends paid on common stock	(27,281)	(25,912)	(23,428)
Purchase of treasury stock	(5,820)	(17,497)	(13,127)
Proceeds from exercise of stock options	-	96	124
Net cash used in financing activities	(39,137)	(124,349)	(42,468)
Increase (decrease) increase in cash and cash equivalents	267	(81,277)	(16,486)
Cash and cash equivalents as of January 1,	35,885	117,162	133,648
Cash and cash equivalents as of December 31,	$ 36,152	$ 35,885	$ 117,162

Note 23 – Quarterly Financial Information of ConnectOne Bancorp, Inc. (unaudited)

	2024			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	(dollars in thousands, except per share data)			
Total interest income	$ 128,033	$ 130,242	$ 130,007	$ 129,607
Total interest expense	63,322	69,355	68,568	69,307
Net interest income	64,711	60,887	61,439	60,300
Provision for credit losses	3,500	3,800	2,500	4,000
Total other income	3,744	4,737	4,399	3,848
Other expenses	38,498	38,641	37,594	37,065
Income before income taxes	26,457	23,183	25,744	23,083
Income tax expense	6,086	6,022	6,688	5,878
Net income	20,371	17,161	19,056	17,205
Preferred dividends	1,509	1,509	1,509	1,509
Net income available to common stockholders	$ 18,862	$ 15,652	$ 17,547	$ 15,696
Earnings per share:				
Basic	$ 0.49	$ 0.41	$ 0.46	$ 0.41
Diluted	0.49	0.41	0.46	0.41

Note: Due to rounding, quarterly earnings per share for 2024 do not sum to reported annual earnings per share.

	2023			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	(dollars in thousands, except per share data)			
Total interest income	$ 128,957	$ 123,686	$ 121,325	$ 116,097
Total interest expense	67,135	61,329	57,482	49,013
Net interest income	61,822	62,357	63,843	67,084
Provision for credit losses	2,700	1,500	3,000	1,000
Total other income, net of securities gains	4,209	3,562	3,438	2,792
Other expenses	37,845	35,784	35,450	34,870
Income before income taxes	25,486	28,635	28,831	34,006
Income tax expense	6,213	7,228	7,437	9,077
Net income	19,273	21,407	21,394	24,929
Preferred dividends	1,509	1,509	1,509	1,509
Net income available to common stockholders	$ 17,764	$ 19,898	$ 19,885	$ 23,420
Earnings per share:				
Basic	$ 0.46	$ 0.51	$ 0.51	$ 0.60
Diluted	0.46	0.51	0.51	0.59

Note 24 – **Segment Information**

The Company's reportable segment is determined by the Chief Executive Officer, who is designated the Chief Operating Decision Maker ("CODM"), based upon information about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the CODM, who uses such information to review performance of various components of the business (such as branches and subsidiary banks), which are then aggregated if operating performance, products/services, and customers are similar. The CODM will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The CODM uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The CODM uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provision for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.

Accounting policies for segments are the same as those described in Note 1a. Segment performance is evaluated using consolidated bank net income. Information reported internally for performance assessment by the CODM follows, inclusive of reconciliations of significant segment totals to the financial statements:

	Consolidated Bank		
(dollars in thousands)	2024	2023	2022
Interest income	$ 517,889	$ 490,065	$ 373,746
Noninterest income	16,563	14,131	13,288
Total segment income	$ 534,452	$ 504,196	$ 387,034
Less:			
Interest expense	265,314	229,789	64,544
Segment net interest income and noninterest income	269,138	274,407	322,490
Less:			
Provision for credit losses	13,800	8,200	17,750
Salaries and employee benefits	90,053	88,223	80,717
Other segment items*	61,590	55,613	45,509
Income tax expense	24,673	29,955	46,014
Segment consolidated net income	$ 79,022	$ 92,416	$ 132,500
Other segment disclosures			
Interest income	$ 517,889	$ 490,065	$ 373,746
Interest expense	265,314	229,789	64,544
Depreciation	4,422	4,503	3,863
Amortization of core deposit intangibles	1,235	1,438	1,675
Other significant noncash items:			
Provision for credit losses	13,800	8,200	17,750
Segment assets	9,870,788	9,848,491	9,640,575
Total expenses for segment assets	455,431	411,781	254,533
Reconciliation of assets			
Total assets for segment	$ 9,870,788	$ 9,848,491	$ 9,640,575
Other assets	8,812	71,123	4,373
Total consolidated assets	$ 9,879,600	$ 9,855,603	$ 9,644,948

*Other segment items for consolidated bank include expenses for occupancy and equipment, FDIC insurance, professional and consulting, marketing and advertising, merger expenses and other expenses.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted pursuant to the Securities Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that information required to be disclosed by the Company in its Exchange Act reports is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of its management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e) as of December 31, 2024. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of such date.

(b) Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control system is a process designed to provide reasonable assurance to the Company's management, Board of Directors and shareholders regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As part of the Company's program to comply with Section 404 of the Sarbanes-Oxley Act of 2002, our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024 (the "Assessment"). In making this Assessment, management used the control criteria framework of the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission published in its report entitled Internal Control - Integrated Framework (2013). Management's Assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its Assessment with the Audit Committee.

Based on this Assessment, management determined that, as of December 31, 2024, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Crowe LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, has issued an audit report on the Company's internal control over financial reporting as of December 31, 2024. The report is included in this item under the heading "Report of Independent Registered Public Accounting Firm."

(c) Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's fourth fiscal quarter that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this part is included in the definitive Proxy Statement for the Company's 2025 Annual Meeting under the captions "ELECTION OF DIRECTORS" and "SECTION 16(A) BENEFICIAL OWNERSHIP REPORTS COMPLIANCE," each of which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than April 30, 2025.

The following table presents information about our executive officers who are not members of the Board of Directors:

Name and Age	Position with Company	Experience Over the Past 5 years
William S. Burns, 65	Senior Executive Vice President and Chief Financial Officer	Chief Financial Officer of the Company since 2012
Laura Criscione, 57	Executive Vice President and Chief Compliance Officer	Executive Officer of the Company and the Bank since 2005
Michael O'Malley, 47	Executive Vice President and Chief Risk Officer	Chief Risk Officer of the Company since 2020; previously at OnDeck Capital, Director of Enterprise Risk and Strategic Initiatives, Head of Operational Risk from 2018 to 2020

Item 11. Executive Compensation

Information concerning executive compensation is included in the definitive Proxy Statement for the Company's 2025 Annual Meeting under the captions "EXECUTIVE COMPENSATION" and "DIRECTOR COMPENSATION", which is incorporated by reference herein. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than April 30, 2025.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information concerning security ownership of certain beneficial owners and management is included in the definitive Proxy statement for the Company's 2025 Annual Meeting under the caption "SECURITY OWNERSHIP OF MANAGEMENT", which is incorporated herein by reference. It is expected that such Proxy statement will be filed with the Securities and Exchange Commission no later than April 30, 2025.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information concerning certain relationships and related transactions is included in the definitive Proxy Statement for the Company's 2025 Annual Meeting under the caption "INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS", which is incorporated herein by reference. It is expected that such Proxy statement will be filed with the Securities and Exchange Commission no later than April 30, 2025.

Item 14. Principal Accounting Fees and Services

The information concerning principal accountant fees and services as well as related pre-approval policies under the caption "RATIFICATION OF INDEPENDENT AUDITORS" in the Proxy Statement for the Company's 2025 Annual Meeting of Shareholders is incorporated by reference herein. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than April 30, 2025.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) Financial Statements and Schedules:

The following Financial Statements and Supplementary Data are filed as part of this annual report:

(b) Exhibits (numbered in accordance with Item 601 of Regulation S-K) filed herewith or incorporated by reference as part of this annual report.

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated September 4, 2024 by and between ConnectOne Bancorp, Inc., and The First of Long Island Corporation (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on September 5, 2024)
3.1	The Registrant's Restated Certificate of Incorporation as of May 21, 2020 is incorporated by reference to Exhibit 3.1 to the Registrant 's Current Report on Form 8-K filed with the SEC on May 22, 2020.
3.2	Certificate of Amendment designating the 5.25% Fixed Rate Reset Non-Cumulative Perpetual Preferred Stock, Series A, of the Company, filed with the Department of the Treasury of the State of New Jersey and effective August 17, 2021(incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form 8-A, filed on August 19, 2021)
3.3	The Registrant's Amended and Restated By-Laws are incorporated by reference to Exhibit 3.1 to the Registrant 's Current Report on Form 8-K filed with the SEC on December 21, 2018.
4.1**	The Registrant's Capital Stock
4.2	Specimen of the Company's 5.25% Fixed Rate Reset Non-Cumulative Perpetual Preferred Stock, Series A Certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, filed on August 19, 2021).
4.3	Deposit Agreement, dated as of August 19, 2021, among the Company, Broadridge Corporate Issuer Solutions, Inc., as depositary, and the holders from time to time of the depositary receipts described therein (incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on August 19, 2021)
10.1	Indenture dated as of December 19, 2003, between the Registrant and Wilmington Trust Company relating to $5.0 million aggregate principal amount of floating rate debentures is incorporated by reference to Exhibit 10.16 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
10.2	Amended and restated Declaration of Trust of Center Bancorp Statutory Trust II, dated as of December 19, 2003 is incorporated by reference to Exhibit 10.17 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
10.3	Guarantee Agreement between Registrant and Wilmington Trust Company dated as of December 19, 2003 is incorporated by reference to Exhibit 10.18 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.

10.4	Second Amended and Restated Employment Agreement, dated as of June 1, 2017, by and among the Registrant, ConnectOne Bank and Frank Sorrentino III, is incorporated by reference to Exhibit 10.1 to the Registrant's Current report on Form 8-K filed with the SEC on June 5, 2017. *
10.5	Amended and Restated Employment Agreement dated as of June 1, 2017, by and among the Registrant, ConnectOne Bank and William S. Burns, is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2017 *
10.6	Form of Change in Control Agreement by and between the Company and Laura Criscione dated December 19, 2013 is incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on December 20, 2013. *
10.7	Indenture dated January 17, 2018, between the Company and U.S. Bank National Association as Trustee (1)
10.8	Employment Agreement by and among the Registrant, ConnectOne Bank and Elizabeth Magennis dated October 16, 2023 is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 17, 2023. *
10.9	2017 Equity Compensation Plan (2)
10.10	Form of Supplemental Executive Retirement Plan between the Registrant and each of Frank Sorrentino, III, William S. Burns and Elizabeth Magennis (3) *

10.11	Form of Supplemental Executive Retirement Plan by and between the Bank and each of Frank Sorrentino III, William S. Burns, and Elizabeth Magennis (4) *
10.12	Form of Split Dollar Life Insurance Agreement between the Registrant and each of Frank Sorrentino, III, William S. Burns and Elizabeth Magennis (3) *
10.13	Second Supplemental Indenture, dated as of June 15, 2020, between the Registrant and U.S. Bank National Association, as Trustee is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 15, 2020.
19**	Insider Trading Policy
21.1**	Subsidiaries of the Registrant
23.1**	Consent of Crowe LLP
31.1**	Personal certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Personal certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32**	Personal certification of the Chief Executive Officer and the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
97	ConnectOne Bancorp, Inc. Compensation Recoupment Policy (5)
101.INS**	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104**	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Management contract or compensatory plan or arrangement.

(1) Incorporated by reference from Exhibit 4.1 of Registrant's Current Report on Form 8-K filed January 17, 2018
(2) Incorporated by reference from Exhibit A to the Registrant's Definitive Proxy Statement on Schedule 14A filed April 27, 2017
(3) Incorporated by reference from Exhibits 10.1 and 10.2 of the Registrant's Current Report on Form 8-K filed December 16, 2019
(4) Incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed April 8, 2022
(5) Incorporated by reference to Exhibit 97 to the Registrants Annual Report on Form 10K for the year ended December 31, 2023

All financial statement schedules are omitted because they are either inapplicable or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ConnectOne Bancorp, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONNECTONE BANCORP, INC.

February 21, 2025

By: /s/ Frank Sorrentino III
Frank Sorrentino III
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant, in the capacities described below on February 21, 2025, have signed this report below.

/s/ Frank Sorrentino III Frank Sorrentino III	Chairman of the Board & Chief Executive Officer (Principal Executive Officer)
/s/ William S. Burns William S. Burns	Senior Executive Vice President & Chief Financial Officer (principal financial and accounting officer)
/s/ Elizabeth Magennis Elizabeth Magennis	President of the Bank & Executive Vice President of the Bancorp
/s/ Stephen Boswell Stephen Boswell	Director
/s/ Frank Baier Frank Baier	Director
/s/ Frank Huttle III Frank Huttle III	Director
/s/ Michael Kempner Michael Kempner	Director
/s/ Nicholas Minoia Nicholas Minoia	Director
/s/ Anson M. Moise Anson M. Moise	Director
/s/ Katherin Nukk-Freeman Katherin Nukk-Freeman	Director
/s/ Susan O'Donnell Susan O'Donnell	Director
/s/ Daniel Rifkin Daniel Rifkin	Director
/s/ Mark Sokolich Mark Sokolich	Director

Exhibit 4.1

The Registrant's Capital Stock

As of December 31, 2024, ConnectOne Bancorp, Inc. ("ConnectOne"), the registrant and the registered banking holding Company or ConnectOne Bank ("ConnectOne Bank") had two classes of security registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (x) our common stock, no par value per share ("Common Stock"), and (y) 5.25% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock"), no par value per share.

AUTHORIZED CAPITAL STOCK

ConnectOne's authorized capital stock consists of 100,000,000 common shares, without par value ("common shares" or "common stock") and 5,000,000 preferred shares, with or without par value as determined by ConnectOne's board of directors ("preferred shares" or "preferred stock"), of which 115,000 shares are designated as Series A Preferred Stock. As of December 31, 2024, 38,370,317 of ConnectOne's common shares were outstanding, 3,885,548 of ConnectOne's common shares were held by ConnectOne in treasury shares, and 115,000 of ConnectOne's Series A Preferred Stock were outstanding.

COMMON STOCK

The following description contains certain general terms of ConnectOne's common stock.

Dividend Rights

The holders of ConnectOne's common stock are entitled to dividends when, as, and if declared by the ConnectOne board of directors out of funds legally available for the payment of dividends. Generally, New Jersey law prohibits corporations from paying dividends or any other distributions to shareholders, if after giving effect to the distribution, either the corporation would be unable to pay its debts as they become due in the usual course of its business or the corporation's total assets would be less than its total liabilities.

The primary source of dividends paid to the ConnectOne's shareholders is dividends paid to ConnectOne by ConnectOne Bank. Thus, as a practical matter, any restrictions on the ability of ConnectOne Bank to pay dividends will act as restrictions on the amount of funds available for payment of dividends by ConnectOne. Under the New Jersey Banking Act of 1948, as amended, dividends may be paid by ConnectOne Bank only if, after the payment of each such dividend, the capital stock of ConnectOne Bank will be unimpaired and either ConnectOne Bank will have a surplus of not less than 50% of its capital stock or the payment of such dividend will not reduce ConnectOne Bank's surplus. The payment of dividends is also dependent upon the Bank's ability to maintain adequate capital ratios pursuant to applicable regulatory requirements. In addition to these explicit limitations, the federal regulatory agencies are authorized to prohibit a banking subsidiary or bank holding company from engaging in an unsafe or unsound banking practice. Depending upon the circumstances, the agencies could take the position that paying a dividend would constitute an unsafe or unsound banking practice.

The dividend rights of holders of ConnectOne's common stock are qualified and subject to the dividend rights of holders of ConnectOne's preferred stock that may be issued in the future as described below in the section titled "Preferred Stock".

Voting Rights

Each holder of ConnectOne's common stock is entitled to one vote for each share held on all matters voted upon by the shareholders, including the election of directors. There is no cumulative voting in the election of directors.

Preemptive Rights

Holders of shares of ConnectOne's common stock are not entitled to preemptive rights with respect to any shares of the common stock that may be issued.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of the affairs of ConnectOne, subject to the rights and preferences, if any, of the holders of preferred stock, holders of ConnectOne's common stock are entitled to share, ratably in proportion to the number of shares of common stock held by them, in the remaining assets of ConnectOne available for distribution to its shareholders.

Assessment and Redemption

All outstanding shares of ConnectOne's common stock are fully paid and non-assessable. ConnectOne's common stock is not redeemable at the option of the issuer or the holders thereof.

Transfer Agent

Broadridge Financial Solutions, Inc. is presently the transfer agent for ConnectOne's common stock.

Listing

ConnectOne's common stock is listed on the NASDAQ Global Select Market under the symbol "CNOB".

PREFERRED STOCK

ConnectOne has 5,000,000 authorized shares of preferred stock typically referred to as "blank check" preferred stock. This term refers to stock for which the rights and restrictions are determined by the board of directors of a corporation. ConnectOne's certificate of incorporation authorizes ConnectOne's Board of Directors to issue new shares of ConnectOne's preferred stock without further shareholder action.

ConnectOne's certificate of incorporation gives the board of directors of ConnectOne authority to issue preferred stock from time to time in one or more classes or series thereof, each such class or series to have voting powers (if any), conversion rights (if any), designations, preferences and relative, participating, optional or other special rights, and such qualifications, limitations or restrictions thereof, as shall be determined by the board of directors of ConnectOne and stated and expressed in a resolution or resolutions thereof providing for the issuance of such preferred stock.

As of December 31, 2024, ConnectOne had one series of Preferred Stock outstanding, Series A preferred Stock, described below.

With respect to any class or series of preferred stock created in the future, ConnectOne's certificate of incorporation allows the board of directors of ConnectOne at any time to determine:

- the dividend rate on shares of such class or series and any restrictions, limitations or conditions upon the payment of such dividends, and whether dividends are cumulative, and the dates on which dividends, if declared, would be payable;

- whether the shares of such class or series would be redeemable and, if so, the terms of redemption;
- the rights of holders of shares of such class or series in the event of the liquidation, dissolution or winding up of ConnectOne, whether voluntary or involuntary, or any other distribution of its assets;
- whether the shares of such class or series would be subject to the operation of a purchase, retirement or sinking fund and, if so, the terms and conditions thereof;
- whether the shares of such class or series would be convertible into shares of any other class or series of the same or any other class, and if so, the terms of such conversion; and
- the extent of voting powers, if any, of the shares of such class or series.

The issuance of additional common or preferred stock may be viewed as having adverse effects upon the holders of common stock. Holders of ConnectOne's common stock do not have preemptive rights with respect to any newly issued stock. ConnectOne's board could adversely affect the voting power of holders of ConnectOne's common stock by issuing shares of preferred stock with certain voting, conversion and/or redemption rights. In the event of a proposed merger, tender offer or other attempt to gain control of ConnectOne that the Board of Directors does not believe to be in the best interests of its shareholders, the Board of Directors could issue additional preferred stock which could make any such takeover attempt more difficult to complete. Blank check preferred stock may also be used in connection with the issuance of a shareholder rights plan, sometimes called a poison pill.

Series A Preferred Stock

As of December 31, 2024, 115,000 shares of ConnectOne's Series A Preferred Stock were outstanding.

Ranking

Shares of the Series A Preferred Stock rank, with respect to the payment of dividends and distributions upon liquidation, dissolution, or winding-up:

- senior to common stock and to any class or series of capital stock ConnectOne may issue that is not expressly stated to be on parity with or senior to the Series A Preferred Stock;
- on parity with, or equally to, any class or series of capital stock expressly stated to be on parity with the Series A Preferred Stock, including the Series A Preferred Stock; and
- junior to any class or series of capital stock expressly stated to be senior to the Series A Preferred Stock (issued with the requisite consent of the holders of at least two-thirds of the outstanding Series A Preferred Stock).

Dividends

Dividends on shares of the Series A Preferred Stock are discretionary and will not be cumulative. Holders of the Series A Preferred Stock will be entitled to receive, if, when, and as declared by the board of directors or a duly authorized committee of board of directors, out of legally available assets, non-cumulative cash dividends quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, beginning on December 1, 2021 (each such date being referred to herein as a "dividend payment date") based on a liquidation preference of $1,000 per share (equivalent to $25 per depositary share).

If declared by board of directors or a duly authorized committee of board of directors, dividends will accrue from and including the original issue date to, but excluding, September 1, 2026 or the date of earlier redemption (the "fixed rate period"), at a rate of 5.25% per annum. If declared by board of directors or a duly authorized committee of board of directors, dividends will accrue from and including September 1, 2026 to, but excluding, the date of earlier redemption (the "floating rate period"), at a floating rate per annum equal to Five-Year Treasury Rate as of September 1, 2026 ad each fifth anniversary of the September 1, 2026, plus 4.42%.

Dividends on shares of the Series A Preferred Stock are not cumulative. Accordingly, if board of directors or a duly authorized committee of board of directors does not declare a full dividend on the Series A Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend will not accrue and ConnectOne will have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series A Preferred Stock are declared for any future dividend period.

Priority of Dividends

The Series A Preferred Stock will rank junior as to payment of dividends to any class or series of the preferred stock that ConnectOne may issue in the future that is expressly stated to be senior to the Series A Preferred Stock. If at any time the ConnectOne does not pay, on the applicable dividend payment date, accrued dividends on any shares that rank in priority to the Series A Preferred Stock with respect to dividends, ConnectOne may not pay any dividends on the Series A Preferred Stock or repurchase, redeem, or otherwise acquire for consideration any shares of Series A Preferred Stock until ConnectOne has paid, or set aside for payment, the full amount of the unpaid dividends on the shares that rank in priority with respect to dividends that must, under the terms of such shares, be paid before ConnectOne may pay dividends on, repurchase, redeem, or otherwise acquire for consideration, the Series A Preferred Stock. As of the date hereof, there are no other shares of preferred stock issued and outstanding.

So long as any share of Series A Preferred Stock remains outstanding, unless the full dividends for the most recently completed dividend period have been declared and paid, or set aside for payment, on all outstanding shares of Series A Preferred Stock:

- no dividend or distribution shall be declared, paid, or set aside for payment on any junior stock (other than (i) a dividend payable solely in junior stock or (ii) a dividend in connection with the implementation of a stockholders' rights plan, or the issuance of rights, stock, or other property under any such plan, or the redemption or repurchase of any rights under any such plan);
- •no junior stock shall be repurchased, redeemed, or otherwise acquired for consideration by ConnectOne, directly or indirectly (other than (i) as a result of a reclassification of junior stock for or into other junior stock, (ii) the exchange or conversion of shares of junior stock for or into other shares of junior stock, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock, (iv) purchases, redemptions, or other acquisitions of shares of the junior stock in connection with any employment contract, benefit plan, or other similar arrangement with or for the benefit of employees, officers, directors, or consultants, (v) purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged) nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities; and
- •no parity stock shall be repurchased, redeemed, or otherwise acquired for consideration by ConnectOne, directly or indirectly (other than (i) pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series A Preferred Stock and any parity stock, (ii) as a result of a reclassification of any parity stock for or into other parity stock, (iii) the exchange or conversion of any parity stock for or into other parity stock or junior stock, (iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock, (v) purchases of shares of parity stock pursuant to a contractually binding requirement to buy parity stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged) nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities.

Subject to the foregoing, dividends (payable in cash, stock, or otherwise) may be declared and paid on junior stock, which includes common stock, from time to time out of any assets legally available for such payment, and the holders of Series A Preferred Stock or parity stock shall not be entitled to participate in any such dividend.

Redemption

The Series A Preferred Stock is perpetual and has no maturity date and is not subject to any mandatory redemption, sinking fund, or other similar provisions. The holders of the Series A Preferred Stock will not have any right to require the redemption or repurchase of their shares of Series A Preferred Stock.

ConnectOne may, at its option, redeem the Series A Preferred Stock (i) in whole or in part, from time to time, on May 15, 2025, or on any dividend payment date on or after September 1, 2026, or (ii) in whole but not in part at any time within 90 days following a "regulatory capital treatment event," in each case at a redemption

price equal to $1,000
per share (equivalent to $25 per depositary share), plus the per share amount of any declared and unpaid dividends, without accumulation of any undeclared dividends, on the Series A Preferred Stock to, but excluding, the date fixed for redemption (the "redemption date"). Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the applicable dividend record date will not be paid to the holder entitled to receive the redemption price on the redemption date, but rather will be paid to the holder of record of the redeemed shares on such record date relating to the applicable dividend payment date. Investors should not expect ConnectOne to redeem the Series A Preferred Stock on or after the date it becomes redeemable at ConnectOne's option.

If shares of the Series A Preferred Stock are to be redeemed, the notice of redemption shall be given to the holders of record of the Series A Preferred Stock to be redeemed, by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on ConnectOne's stock register not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the shares of Series A Preferred Stock are held in book-entry form through The Depository Trust Company ("DTC") may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;
- the number of shares of the Series A Preferred Stock to be redeemed and, if less than all of the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder;
- the redemption price; and
- that dividends on the shares to be redeemed will cease to accrue on the redemption date.

If notice of redemption of any shares of Series A Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any shares of Series A Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of Series A Preferred Stock, such shares of Series A Preferred Stock shall no longer be deemed outstanding, and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In case of any redemption of only part of the shares of the Series A Preferred Stock at the time outstanding, the shares to be redeemed shall be selected pro rata, by lot, or in such other manner as ConnectOne may determine to be equitable and permitted by DTC and the rules of any national securities exchange on which the Series A Preferred Stock is listed.

Liquidation Rights

In the event that ConnectOne voluntarily or involuntarily liquidate, dissolve, or wind up its affairs, holders of the Series A Preferred Stock are entitled to receive out of ConnectOne's assets available for distribution to stockholders, after satisfaction of liabilities and obligations to creditors, if any, and subject to the rights of holders of any shares of capital stock then outstanding ranking senior to or on parity with the Series A Preferred Stock with respect to distributions upon the voluntary or involuntary liquidation, dissolution, or winding-up of ConnectOne's business and affairs, including the Series A Preferred Stock, and before ConnectOne makes any distribution or payment out of its assets to the holders of common stock or any other class or series of capital stock ranking junior to the Series A Preferred Stock with respect to distributions upon liquidation, dissolution, or winding-up, an amount per share equal to the liquidation preference of $1,000 per share plus any declared and unpaid dividends prior to the payment of the liquidating distribution (but without any amount in respect of dividends that have not been declared prior to the date of payment of the liquidating distribution). After payment of the full amount of the liquidating distribution described above, the holders of the Series A Preferred Stock shall not be entitled to any further participation in any distribution of ConnectOne's assets.

In any such distribution, if ConnectOne's assets are not sufficient to pay the liquidation preference in full to all holders of Series A Preferred Stock and all holders of any shares of capital stock ranking as to any such liquidating distribution on parity with the Series A Preferred Stock, including the Series A Preferred Stock, the amounts paid to the holders of Series A Preferred Stock and to such other shares will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on ConnectOne's assets available for such distribution), including any declared but unpaid dividends (and, in the case of any holder of stock other than the Series A Preferred Stock and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable). If the liquidation preference per share of Series A Preferred Stock has been paid in full to all holders of Series A Preferred Stock and the liquidation preference per share of any other capital stock ranking on parity with the Series A Preferred Stock as to liquidation rights has been paid in full, the holders of common stock or any other capital stock ranking, as to liquidation rights, junior to the Series A Preferred Stock will be entitled to receive all of the remaining assets according to their respective rights and preferences.

The Series A Preferred Stock may be fully subordinate to interests held by the U.S. government in the event the Company's enters into a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the "orderly liquidation authority" provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Neither the sale, conveyance, exchange, or transfer of all or substantially all of ConnectOne's assets or business, nor the consolidation or merger by ConnectOne with or into any other entity or by another entity with or into ConnectOne, whether for cash, securities, or other property, individually or as part of a series of transactions, will constitute a liquidation, dissolution, or winding-up of its affairs.

Because the ConnectOne is a holding company, the rights and the rights of ConnectOne's creditors and stockholders, including the holders of the Series A Preferred Stock, to participate in any distribution of assets of any of ConnectOne's subsidiaries upon that subsidiary's liquidation, dissolution, reorganization or winding-up or otherwise would be subject to the prior claims of that subsidiary's creditors, except to the extent that ConnectOne is a creditor with recognized claims against the subsidiary.

Holders of the Series A Preferred Stock are subordinate to all of ConnectOne's indebtedness and to other non-equity claims on ConnectOne and its assets, including in the event that ConnectOne enters into a receivership, insolvency, liquidation or similar proceeding. In addition, holders of the Series A Preferred Stock (and of depositary shares representing the Series A Preferred Stock) may be fully subordinated to interests held by the U.S. government in the event that ConnectOne enters into a receivership, insolvency, liquidation or similar proceeding.

Voting Rights

Except as provided below and as determined by ConnectOne's board of directors or a duly authorized committee of board of directors or as otherwise expressly required by law, the holders of the Series A Preferred Stock will have no voting rights.

Whenever dividends on any shares of the Series A Preferred Stock, or any parity stock upon which similar voting rights have been conferred ("special voting preferred stock"), shall have not been declared and paid in an aggregate amount equal to the amount of dividends payable on the Series A Preferred Stock for the equivalent of six or more quarterly dividend periods, whether or not consecutive (which refer to as a "nonpayment"), the holders of the Series A Preferred Stock, voting together as a class with holders of any special voting preferred stock then outstanding, will be entitled to vote (based on respective liquidation preferences) for the election of a total of two additional members of board of directors (which referred to as the "preferred directors"); provided that board of directors shall at no time include more than two preferred directors; provided, further, that the election of any such preferred directors may not cause ConnectOne to violate any corporate governance requirement of The Nasdaq Stock Market LLC (or any other exchange on which ConnectOne's securities may be listed). In that event, the number of directors on board of directors shall automatically increase by two and, at the request of any holder of Series A Preferred Stock, a special meeting of the holders of Series A Preferred Stock and such special voting preferred stock, including the Series A Preferred Stock, for which dividends have not been paid shall be called for the election of the two directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), followed by such election at each subsequent annual meeting. These voting rights will continue until full dividends have been paid (or declared and a sum sufficient for the payment of such dividends has been set aside for payment) on the Series A Preferred Stock and such special voting preferred stock for four dividend periods following the nonpayment.

If and when full dividends have been paid (or declared and a sum sufficient for the payment of such dividends has been set aside for payment) for at least four dividend periods following a nonpayment on the Series A Preferred Stock and such special voting preferred stock, the holders of the Series A Preferred Stock and such special voting preferred stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and the term of office of each preferred director so elected shall terminate and the number of directors on ConnectOne's board of directors shall automatically decrease by two.

Any preferred director may be removed at any time without cause by the holders of a majority of the outstanding shares of the Series A Preferred Stock and such special voting preferred stock, voting together as a class, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a preferred director (other than prior to the initial election of the preferred directors) may be filled by the written consent of the preferred director remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding shares of Series A Preferred Stock and such special voting preferred stock, voting together as a class, to serve until the next annual meeting of stockholders; provided that the filling of any such vacancy may not cause ConnectOne to violate any corporate governance requirement of The Nasdaq Stock Market LLC (or any other exchange on which ConnectOne's securities may be listed). The preferred directors shall each be entitled to one vote per director on any matter on which ConnectOne's directors are entitled to vote.

Under regulations adopted by the Federal Reserve, if the holders of one or more series of preferred stock are or become entitled to vote for the election of directors, such series entitled to vote for the same director(s) will be deemed a class of voting securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a "controlling influence" over ConnectOne, will be subject to regulation as a bank holding company under the BHC Act. In addition, if the series is/are deemed to be a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve under the BHC Act to acquire or retain more than 5% of that series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that series. While ConnectOne does not believe the shares of Series A Preferred Stock are considered "voting securities" currently, holders of such stock should consult their own counsel with regard to regulatory implications. A holder or group of holders may also be deemed to control ConnectOne if they own one-third or more of ConnectOne's total equity.

So long as any shares of Series A Preferred Stock remain outstanding, in addition to any other vote or consent of stockholders required by law or ConnectOne's certificate of incorporation, as amended, the affirmative vote or consent of the holders of at least two-thirds of all of the then-outstanding shares of Series A Preferred Stock entitled to vote thereon, voting separately as a single class, shall be required to:

- authorize, create, issue, or increase the authorized amount of any class or series of ConnectOne's capital stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or as to distributions upon ConnectOne's liquidation, dissolution, or winding-up, or issue any obligation or security convertible into or exchangeable for, or evidencing the right to purchase, any such class or series of ConnectOne's capital stock;
- amend, alter, or repeal the provisions of certificate of incorporation, as amended, including the certificate of designation, whether by merger, consolidation, or otherwise, so as to materially and adversely affect the special powers, preferences, privileges, or rights of the Series A Preferred Stock, taken as a whole; or
- consummate a binding share exchange or reclassification involving the Series A Preferred Stock, or complete the sale, conveyance, exchange, or transfer of all or substantially all of ConnectOne's assets or business or consolidate with or merge into any other corporation, unless, in each case, the shares of the Series A Preferred Stock (i) remain outstanding or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling such surviving entity and such new preference securities have powers, preferences, privileges, and rights that are not materially less favorable to the holders thereof than the powers, preferences, privileges, and rights of the Series A Preferred Stock, taken as a whole.

When determining the application of the voting rights described in this section, the authorization, creation, and issuance, or an increase in the authorized or issued amount, of junior stock or any class or series of capital stock that by its terms expressly provides that it ranks on parity with the Series A Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and as to distributions upon ConnectOne's liquidation, dissolution, or winding-up, or any securities convertible into or exchangeable or exercisable for junior stock or any class or series of capital stock, shall not be deemed to materially and adversely affect the special powers, preferences, privileges, or rights, and shall not require the affirmative vote or consent of, the holders of any outstanding shares of Series A Preferred Stock.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by ConnectOne for the benefit of the holders of the Series A Preferred Stock to effect such redemption.

Depositary Shares

General

Each depositary share represents a 1/40th interest in a share of the Series A Preferred Stock and will be evidenced by depositary receipts. Subject to the terms of the deposit agreement, the depositary shares will be entitled to all of the powers, preferences, and special rights of the Series A Preferred Stock, as applicable, in proportion to the applicable fraction of a share of Series A Preferred Stock those depositary shares represent. As of December 31, 2024, there were 4600000 depositary shares issued.

Dividends and Other Distributions

Each dividend payable on a depositary share will be in an amount equal to 1/40th of the dividend declared and payable on each share of Series A Preferred Stock.

The depositary will distribute all dividends and other cash distributions received on the Series A Preferred Stock to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder. If ConnectOne makes a distribution other than in cash, the depositary will distribute property received by it to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder, unless the depositary determines that this distribution is not feasible, in which case the depositary may, with ConnectOne's approval, adopt a method of distribution that it deems practicable, including the sale of the property and distribution of the net proceeds of that sale to the holders of the depositary receipts.

Record dates for the payment of dividends and other matters relating to the depositary shares will be the same as the corresponding record dates for the Series A Preferred Stock.

The amount paid as dividends or otherwise distributable by the depositary with respect to the depositary shares or the underlying Series A Preferred Stock will be reduced by any amounts required to be withheld by ConnectOne or the depositary on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange, or withdrawal of any depositary shares or the shares of the Series A Preferred Stock, until such taxes or other governmental charges are paid.

Liquidation Preference

In the event of liquidation, dissolution, or winding-up, a holder of depositary shares will receive the fraction of the liquidation preference accorded each share of underlying Series A Preferred Stock represented by the depositary shares.

Neither the sale, conveyance, exchange, or transfer of all or substantially all of ConnectOne's assets or business, nor the consolidation or merger by ConnectOne with or into any other entity or by another entity with or into the ConnectOne, whether for cash, securities, or other property, individually or as part of a series of transactions, will constitute a liquidation, dissolution, or winding-up of ConnectOne's affairs.

Redemption of Depositary Shares

If ConnectOne redeems the Series A Preferred Stock, in whole or in part, depositary shares also will be redeemed with the proceeds received by the depositary from the redemption of the Series A Preferred Stock held by the depositary. The redemption price per depositary share will be 1/40th of the redemption price per share payable with respect to the Series A Preferred Stock (or $25 per depositary share), plus 1/40th of the per share amount of any declared and unpaid dividends, without accumulation of any undeclared dividends, on the Series A Preferred Stock to, but excluding, the redemption date.

If ConnectOne redeems shares of the Series A Preferred Stock held by the depositary, the depositary will redeem, as of the same redemption date, the number of depositary shares representing those shares of the Series A Preferred Stock so redeemed. If ConnectOne redeems less than all of the outstanding depositary shares, the depositary shares to be redeemed will be selected either pro rata or by lot or in such other manner as ConnectOne may determine to be fair and equitable. The depositary will provide notice of redemption to record holders of the depositary receipts not less than 30 days and not more than 60 days prior to the date fixed for redemption of the Series A Preferred Stock and the related depositary shares.

Voting

Because each depositary share represents a 1/40th ownership interest in a share of Series A Preferred Stock, holders of depositary receipts will be entitled to vote 1/40th of a vote per depositary share under those limited circumstances in which holders of the Series A Preferred Stock are entitled to vote.

When the depositary receives notice of any meeting at which the holders of the Series A Preferred Stock are entitled to vote, the depositary will, if requested in writing and provided with all necessary information, provide the information contained in the notice to the record holders of the depositary shares relating to the Series A Preferred Stock. Each record holder of the depositary shares on the record date, which will be the same date as the record date for the Series A Preferred Stock, may instruct the depositary to vote the amount of the Series A Preferred Stock represented by the holder's depositary shares. To the extent possible, the depositary will vote or cause to be voted the amount of the Series A Preferred Stock represented by depositary shares in accordance with the instructions it receives. ConnectOne will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any depositary shares representing the Series A Preferred Stock, it will abstain from voting with respect to such shares (but may, at its discretion, appear at the meeting with respect to such shares unless directed to the contrary).

ANTI-TAKEOVER PROVISIONS

Provisions of New Jersey and federal law and the terms of the certificate of incorporation of ConnectOne contain provisions which could make a takeover or purchase of ConnectOne more difficult, even if a significant percentage of ConnectOne's shareholders believe any such transaction is in their best interests. The following is a summary of these provisions:

Certificate of Incorporation

Provisions of ConnectOne's certificate of incorporation may have anti-takeover effects. These provisions may discourage attempts by others to acquire control of ConnectOne without negotiation with ConnectOne's board of directors. The effect of these provisions is discussed briefly below.

The shares of ConnectOne's common stock authorized by its certificate of incorporation but not issued provide ConnectOne's board of directors with the flexibility to effect financings, acquisitions, stock dividends, stock splits and stock-based grants without the need for a shareholder vote. ConnectOne's board of directors, consistent with its fiduciary duties, could also authorize the issuance of shares of preferred stock, and could establish voting conversion, liquidation and other rights for ConnectOne's preferred stock being issued, in an effort to deter attempts to gain control of ConnectOne.

New Jersey Shareholders Protection Act

A provision of New Jersey law, the New Jersey Shareholders' Protection Act (the "Shareholders' Protection Act"), prohibits certain transactions involving an "interested stockholder" and a resident domestic corporation. When used in reference to any such corporation, an "interested stockholder" is generally defined as one who is the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting stock of that corporation or who is an affiliate or associate of that corporation and at any time within the five-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding stock of that corporation.

The Shareholders' Protection Act generally prohibits any business combination between an interested stockholder and a resident domestic corporation for a period of five years following that interested stockholder's stock acquisition date unless: (a) that business combination is approved by the corporation's board of directors prior to that interested stockholder's stock acquisition date or (b) the transaction(s) which caused the person to become an interested stockholder was approved by the corporation's board of directors prior to that interested stockholder's stock acquisition date and any subsequent business combinations with that interested stockholder are approved by the corporation's board of directors, provided that any such subsequent business combination is approved by (1) the board of directors, or a committee thereof, consisting solely of persons who are not employees, officers, directors, stockholders, affiliates or associates of that interested stockholder, and (2) the affirmative vote of the holders of a majority of the voting stock not beneficially owned by such interested stockholder at a meeting called for such purpose. After the five-year period expires, the prohibition on business combinations with an interested stockholder continues unless certain conditions are met. Subject to further limitations, these conditions include: (a) a business combination approved by the corporation's board of directors prior to that interested stockholder's stock acquisition date; (b) a business combination approved by a vote of two-thirds of the voting stock not owned by the interested stockholder; (c) a business combination whereby its shareholders receive consideration in accordance with the Shareholders' Protection Act; and (d) a business combination approved by the corporation's board of directors, or a committee thereof, consisting solely of persons who are not employees, officers, directors, stockholders, affiliates or associates of that interested stockholder prior to the consummation of the business combination and by the affirmative vote of the holders of a majority of the voting stock not beneficially owned by such interested stockholder at a meeting called for such purpose if the transaction(s) with the interested stockholder which caused the person to become an interested stockholder was approved by the corporation's board of directors prior to the consummation of such transaction(s).

Shareholders' Nominations and Proposals

The procedures governing the submission of nominations for directors and other proposals by shareholders for consideration at a meeting may also have a deterrent effect on shareholder actions designed to result in a change of control of ConnectOne. ConnectOne's bylaws require advance notice to ConnectOne's corporate secretary regarding shareholder proposals and the nomination, other than by or at the direction of the ConnectOne board of directors or one of its committees, of candidates for election as directors. Such advance notice must be received by the corporate secretary not less than 50 days nor more than 75 days prior to the meeting, irrespective of any deferrals, postponements or adjournments thereof to a later date; provided, however, that in the event that less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of meeting was mailed or such public disclosure was made, whichever first occurs.

Each such notice to the corporate secretary shall set forth: (i) the name and address of record of the shareholder who intends to make the nomination; (ii) a representation that the shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the name, age, business and residence addresses, and principal occupation or employment of each nominee if the proposal is a nomination to the board of directors; (iv) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (v) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, as then in effect; (vi) the consent of each nominee to serve as a director of the corporation if so elected and (vii) the name, address, principal occupation and ownership of the corporation of any other party having an interest in the proposal. ConnectOne may require any proposed nominee to furnish such other information as may reasonably be required by ConnectOne to determine the eligibility of such proposed nominee to serve as a director of ConnectOne.

Failure of any shareholder to provide the notice or information required by the foregoing provisions in a timely and proper manner shall authorize ConnectOne's board of directors to reject any such proposal or nomination.

Restrictions on Ownership

The Bank Holding Company Act requires any bank holding company (as defined therein) to obtain the approval of the Federal Reserve Board prior to acquiring more than five percent (5%) of ConnectOne's outstanding common stock. Any person other than a bank holding company is required to obtain prior approval of the Federal Reserve Board to acquire ten percent (10%) or more of ConnectOne's outstanding common stock under the Change in Bank Control Act. Any holder of twenty-five percent (25%) or more of ConnectOne's outstanding common stock, other than an individual, is subject to regulation as a bank holding company, under the Bank Holding Company Act.

Exhibit 19

ConnectOne Bancorp, Inc Trading Policy

General Prohibition on Insider Trading. No individual, regardless of position within ConnectOne Bancorp, Inc. or any of its direct or indirect subsidiaries, including ConnectOne Bank and BoeFly Inc. (the “Company”), may transfer, acquire or engage in any transactions involving the Company’s securities or those of Competitors (as defined below) (including engaging in hedging transactions or pledging such securities as collateral if otherwise permitted under this policy) while in possession of material information regarding the Company which has not yet been publicly disseminated. This prohibition applies to anyone in the Company at any level (*e.g.*, directors, officers, employees, independent contractors, *etc.*), and even to individuals not employed by the Company (*e.g.*, outside counsel, consultants, vendors, *etc.*) if they have access by any means including, but not limited to, tips from others to material non-public information about the Company. This prohibition also applies to trading in the securities of our customers, vendors, counterparties and actual and potential business partners and Subject Financial Institutions (as defined below) (each, a “Third Party”) if the director, officer, or employee has learned of material non-public information about that Third Party through their service to the Company.

It is difficult to describe exhaustively what constitutes material information, but one should assume that any information, positive or negative, which might be of significance to an investor in determining whether to purchase, sell or hold the Company’s or Third Party’s securities would be material. Information may be significant for this purpose even if it would not alone determine the investor’s decision. Examples include, but are not limited to, a potential business acquisition, internal financial information which has not yet been made public (for example, quarterly and annual financial information) or information which shows that the Company’s earnings will depart from their trend, the acquisition or loss of a major contract, or an important financing transaction.

For purposes of this policy, a Competitor shall mean a financial services entity engaged in businesses similar to those of the Company and whose stock price might reasonably be expected to be effected by news concerning the Company. In the event any party subject to this policy has any question of whether an entity in which the party intends to trade is a Competitor, that party should confirm with Chairman & CEO and in his absence the CFO whether the entity is a Competitor prior to trading.

Additional Restrictions Applicable to Officers subject to Section 16 (“Section 16 Officers”) and Directors:

Pre-Clearance In order to enhance compliance with this policy and legal restrictions regarding trading on inside information, the following requirements shall apply to transactions by the Company’s Section 16 Officers and directors:

- Before engaging in any transactions (purchases, sales, transfers etc.) in the Company’s securities or those of Competitors, all Section 16 Officers and directors must confirm with the:
- Chairman and CEO or, in his absence,
- CFO

that the window for trading is “open” and that trading is permitted.

Unless you are specifically informed that the window is “Open”, <u>you may not trade</u>, either to buy or sell, or to engage in any other transactions related to or transfers of Company stock or those of Competitors.

Quarterly, the trading window will close when the Board packages are released by management for the last Board meeting of each quarter. The window will generally not reopen until two trading days after the release of a detailed earnings release.

This policy applies to transactions undertaken directly by anyone or on their behalf by a third party, such as a broker. Compliance with this policy is the responsibility of the individual, regardless of whether the transaction is made directly by such individual or through a third party on the individual’s behalf.

At the time a Section 16 Officer or director seeks clearance to trade in Company securities, they must provide the Corporate Secretary, or in their absence the Chief Accounting Officer, with all proposed details of the transaction in Company securities which they then know, such as:

- The nature of the transaction (i.e., purchase, sale, pledge or other transfer)
- Number or type of securities
- How the securities are currently held or will be held (direct, indirect, and if indirect, how)

This policy shall not prohibit at any time (i) the buying or selling of the Company's stock pursuant to a trading plan fully complying with Rule 10b5-1 of the Securities Exchange Act of 1934 (the “Act”) or (ii) any transaction which is exempt from the provisions of Section 16(b) of the Act, such as the exercise of an option to purchase the Company's stock granted under the Company's equity compensation plans. However, it does include disposition of Company stock purchased through such plans. Any such transactions must still be reported to the CEO (or in his absence the CFO) and, if a Section 16 Officer or director, you are still responsible for ensuring that a Form 4 is filed in a timely fashion, i.e., within 2 business days of the trade, reflecting any such transactions. See Section 16 below.

Trading in the Stock of Potential Partner Institutions

The forgoing restrictions are designed to ensure that members of the Board and senior management of the Company (i) comply with all federal laws regarding trading on nonpublic material information and (ii) avoid even the appearance of a conflict of interest, even if inadvertent.

Purpose. The Company has a strategic plan of acting as an opportunistic participant in consolidations with other insured depository institutions, financial technology companies and other entities, in each case engaged in lines of business or activities which are permissible for the Company to engage in under law and regulation applicable to the Company (collectively, "Subject Financial Institutions") and which meet the Board's criteria. This means that from time to time, the Company, through senior management, may be engaged in preliminary talks with one or more Subject Financial Institutions regarding opportunities which have not yet been fully discussed with the Board. In the event a Board member or member of management subject to this policy were to purchase securities of any party with which the Company was engaged in discussions, such purchase could (i) violate federal securities laws and (ii) require the individual to recuse himself or herself from any actions with regard to any such transaction. Even with such a recusal, the individual would have created at least the appearance of a conflict of interest and could impact the Company's ability to successfully complete such discussions.

Therefore, no individual subject to this policy may trade in the securities of any Subject Financial Institution without first confirming with the Chairman and CEO (or, in his absence, the CFO) that the Subject Financial Institution is (i) not an entity with which the Company is engaging in any preliminary discussion regarding a potential strategic transaction or (ii) not an entity which management has identified as a possible partner for a strategic transaction. For purposes of this policy, a "strategic transaction" means a merger, consolidation, purchase or sale of substantial assets or equity, or any similar type transaction.

Institutions to Which the Restrictions on Trading in Subject Financial Institution Securities Applies. This policy applies to the securities of any Subject Financial Institution, regardless of where the entity is based.

Parties to Whom the Restrictions on Trading in Subject Financial Institution Securities Applies. This policy applies to every member of the Board of Directors of the Company. This Policy also applies to each officer of the Company with the title of executive Vice President or more senior, and any other officer of the Company designated as being subject to this Policy, from time to time, by the Chairman and CEO or his designee.

Confidentiality. Serious problems could be caused for the Company by unauthorized disclosure of internal information about the Company, whether or not for the purpose of facilitating trading in the stock. Officers, directors and employees are strictly prohibited from discussing internal Company matters or developments with anyone outside the Company, except as required in the performance of the individual's responsibilities in his/her capacity as an officer, director or employee.

This prohibition applies specifically (but not exclusively) to inquiries about the Company that may be made by the financial press, investment analysts or others in the financial community. It is important that all such communications on behalf of the Company be through an appropriately designated officer under carefully controlled circumstances.

Unless you are expressly authorized to the contrary, if you receive any inquiries of this nature you should decline comment and refer the inquirer to Chairman and CEO or CFO.

Hedging and Pledging Company Securities. The Company considers it inappropriate for any director or officer to enter into speculative transactions in the Company's securities to attempt to separate the economic risk of holding the Company's securities from the ownership of the securities. This policy therefore prohibits the purchase or sale of puts, calls, options, or other derivative securities based on the Company's securities. This prohibition also includes hedging or monetization transactions, such as forward sale contracts, in which the stockholder continues to own the underlying security without all the risks or rewards of ownership.

In addition, this policy prohibits pledging or hypothecating the Company's securities held by a director or officer as collateral for a loan, including through the use of a traditional margin account with a securities broker. Pledges of hypothecations outstanding as of June 22, 2021[1] may remain outstanding and will not be deemed a violation of this policy, but the pledging or hypothecation of additional Company securities for a currently outstanding loan is prohibited by this policy.

The prohibitions in this subsection do not apply to a broker-assisted cashless exercise of stock options granted as part of a Company incentive plan.

Section 16. Section 16 of the Securities Exchange Act of 1934 has two components: a reporting provision and a short swing profit recapture provision. Insiders subject to Section 16 (directors, executive officers and 10% or greater shareholders) have a personal obligation to report to the SEC transactions in the Company's common stock within fortyeight (48) hours of the transaction. Although Company personnel can assist insiders in meeting their filing obligations, these obligations are personal to the insider – they are not Company obligations. Failure to properly and timely file the necessary reports will result in the insider being listed by name in the Company's proxy and may subject the insider to enforcement action by the SEC.

Under the short swing profit recapture provisions of Section 16, an insider is required to pay over to the Company any profits which may be derived from two non-exempt, opposite way transactions which occur within six (6) months. This would include a purchase at a lower price and a subsequent sale at a higher price, but also includes a sale at a higher price followed by a purchase at a lower price, and any other non-exempt transactions which may be matched to show a profit. Section 16 provides a private right of action in any shareholder to seek to recover these profits, and the Courts have awarded plaintiff's counsel legal fees in these actions. There is a segment of the plaintiffs' bar that makes a living tracking Section 16 reports looking for short swing profits and then demanding legal fees.

Avoiding short swing profit recapture liability requires prior planning by an insider, and is the personal obligation of the insider, not an obligation of the Company. Before conducting any transaction, an insider should look at all transactions conducted during the prior six (6)

[1] The date that this amendment to the policy prohibiting pledging went into effect.

months and think ahead regarding any expected transactions during the next six (6) months, to ensure that the insider does not create short swing profit recapture liability.

Review of Policy. At least annually, and more frequently if this Policy is amended, the Company will review the requirements of this policy with all parties subject to this policy.

Exhibit 21.1

Subsidiaries of the Registrant as of December 31, 2024

The following table sets forth the names of the registrant's direct and indirect subsidiaries and the state or other jurisdiction of incorporation of each such entity. In each case, the names of the listed subsidiaries are the same as the names under which such subsidiaries do business.

Name	Incorporation
ConnectOne Bank	New Jersey
Center Bancorp Statutory Trust II	Delaware
Union Investment Co.	New Jersey
Center Financial Group, LLC	New Jersey
Center Advertising, Inc.	New Jersey
Morris Property Company, LLC	New Jersey
Twin Bridge Investment Co.	Delaware
Volosin Holdings, LLC	New Jersey
ConnectOne Preferred Funding Corp.	New Jersey
NJCB Spec-1, LLC	New Jersey
BoeFly, Inc.	New Jersey
BONJ Special Properties, LLC	New Jersey
Port Jervis Holdings, LLC	New York

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement No. 333-283717 on Form S-3 and in the Registration Statement No. 333-272232 on Form S-8 of ConnectOne Bancorp, Inc. of our report dated February 21, 2025, relating to the consolidated financial statements of ConnectOne Bancorp, Inc. and Subsidiaries and the effectiveness of internal control over financial reporting, which report appears in this Annual Report on Form 10-K of ConnectOne Bancorp, Inc. for the year ended December 31, 2024.

/s/ Crowe LLP

Crowe LLP
Livingston, New Jersey
February 21, 2025

Exhibit 31.1

CERTIFICATIONS

I, Frank Sorrentino III, certify that:

1. I have reviewed this annual report on Form 10-K of ConnectOne Bancorp, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report and change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 21, 2025

By: /s/ Frank Sorrentino III
Frank Sorrentino III
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, William S. Burns, certify that:

1. I have reviewed this annual report on Form 10-K of ConnectOne Bancorp, Inc.,

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report and change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 21, 2025

By: /s/ William S. Burns
William S. Burns
Senior Executive Vice President and
Chief Financial Officer

Exhibit 32

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Frank Sorrentino III and William S. Burns hereby jointly certify as follows:

They are the Chief Executive Officer and the Chief Financial Officer, respectively, of ConnectOne Bancorp, Inc. (the “Company”);

To the best of their knowledge, the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 (the “Report”) complies in all material respects with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

To the best of their knowledge, based upon a review of the Report, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2025	By:	/s/ Frank Sorrentino III
		Frank Sorrentino III
		Chairman and Chief Executive Officer
Date: February 21, 2025	By:	/s/ William S. Burns
		William S. Burns
		Senior Executive Vice President and
		Chief Financial Officer