Risk Factors Comparison 2024-03-01 to 2023-03-09 Form: 10-K

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

An investment in our securities is subject to risks inherent in our business and the industry in which we operate. Before making an investment decision, you should carefully consider the risks and uncertainties described below and all other information included in this report as well as other filings we make with the SEC. The risks described below may adversely affect our business, financial condition and operating results. In addition to these risks and the other risks and uncertainties described in Item 1, " Business – Forward Looking Statements, " and Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations, " there may be additional risks and uncertainties that are not currently known to us or that we currently deem to be immaterial that could materially and adversely affect our business, financial condition or operating results. The value or market price of our securities could decline due to any of these identified or other risks. Past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. Risks Related to Competitive Matters Our future growth and success will depend on our ability to compete effectively in a highly competitive environment We face substantial competition in all phases of our operations from a variety of different competitors. Our future growth and success will depend on our ability to compete effectively in this highly competitive environment. To date, our competitive strategies have focused on attracting deposits in our local markets, and growing our loan and lease portfolio by emphasizing specific commercial loan and lease products in which we have significant experience and expertise, identifying and targeting markets in which we believe we can effectively compete with larger institutions and other competitors, and offering competitive pricing to commercial borrowers with appropriate risk profiles. We compete for loans, leases, deposits and other financial services with other commercial banks, thrifts, credit unions, brokerage houses, mutual funds, insurance companies, real estate conduits, mortgage brokers and specialized finance companies. Many of our competitors offer products and services that we do not offer, and some offer loan structures and have underwriting standards that are not as restrictive as our required loan structures and underwriting standards. Some larger competitors have substantially greater resources and lending limits, name recognition and market presence that benefits them in attracting business. In addition, larger competitors may be able to price loans, leases and deposits more aggressively than we do, and because of their larger capital bases, their underwriting practices for smaller loans may be subject to less regulatory scrutiny than they would be for smaller banks. Newer competitors may be more aggressive in pricing loans, leases and deposits in order to increase their market share. Competitive factors driven by consumer sentiment or otherwise can also reduce our ability to generate fee income, such as through overdraft fees. Some of the financial institutions and financial services organizations with which we compete are not subject to the extensive regulations or taxation imposed on national banks and their holding companies. As a result, these nonbank competitors have certain advantages over us in accessing funding and in providing various financial services. Consumers and businesses are increasingly using non- banks to complete their financial transactions, which could adversely affect our business and results of operations Technology and other changes are allowing consumers and businesses to complete financial transactions that historically have involved banks through alternative methods. For example, the wide acceptance of Internet- based commerce and mobile device applications has resulted in a number of alternative payment processing systems and lending platforms in which banks play only minor roles. Customers can now maintain funds in prepaid debit cards or digital currencies, and pay bills and transfer funds directly without the direct assistance of banks. The diminishing role of banks as financial intermediaries has resulted and could continue to result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the potential loss of lower cost deposits as a source of funds could have a material adverse effect on our business, financial condition and results of operations. Risks Related to Interest Rates The reversal of the historically low interest rate environment **has adversely affected and** may **continue to** adversely affect our ~~net~~ interest ~~income~~ **expense** and profitability The Federal Reserve Board decreased benchmark interest rates significantly, to near zero, in response to the COVID- 19 pandemic. The Federal Reserve Board ~~has~~ reversed its policy of near zero interest rates given its concerns over inflation ~~.~~ **and** ~~Market~~ **market** interest rates have risen **significantly** in response to the Federal Reserve Board' s recent rate increases. As discussed below, the increase in market interest rates **has had, and** is expected to **continue to** have **,** an adverse effect on our ~~net~~ interest ~~income~~ **expense** and profitability **due to higher rates paid on deposits and, if applicable, other borrowings** . 7Changes in market interest rates could adversely affect our financial condition and results of operations Our financial condition and results of operations are significantly affected by changes in market interest rates because our assets, primarily loans and leases, and our liabilities, primarily deposits, are monetary in nature. Our results of operations depend substantially on our net interest income, which is the difference between the interest income that we earn on our interest- earning assets and the interest expense that we pay on our interest- bearing liabilities. Market interest rates are affected by many factors beyond our control, including inflation, recession, unemployment, money supply, domestic and international events, and changes in the U. S. and other financial markets. Our net interest income is affected not only by the level and direction of interest rates, but also by the shape of the yield curve and relationships between interest sensitive instruments and key driver rates, including credit risk spreads, and by balance sheet growth, customer loan and deposit preferences and the timing of changes in these variables which themselves are impacted by changes in market interest rates. As a result, changes in market interest rates, and especially a decline in interest rates, can significantly affect our net interest income as well as the fair market valuation of our assets and liabilities, particularly if they occur more quickly or to a greater extent than anticipated. **At** ~~During the year ended~~ December 31, ~~2022~~ **2023** , we ~~incurred~~ **recorded** other comprehensive losses of $ **2.** 6 ~~. 1~~ million related to net changes in unrealized holding losses in the

available- for- sale investment securities portfolio. While we take measures intended to manage the risks from changes in market interest rates, we cannot control or accurately predict changes in market rates of interest, loan prepayments or payoffs, deposit attrition due to changes in interest rates, or be sure that our protective measures are adequate. If the interest rates paid on deposits and other interest- bearing liabilities increase at a faster rate than the interest rates received on loans and other interest- earning assets, our net interest income, and therefore earnings, could be adversely affected. We would also incur a higher cost of funds to retain our deposits in a rising interest rate environment. While the higher payment amounts we would receive on adjustable- rate or variable- rate loans in a rising interest rate environment may increase our interest income, some borrowers may be unable to afford the higher payment amounts, and this could result in a higher rate of default. Rising interest rates also may reduce the demand for loans and the value of fixed- rate investment securities. Risks Related to our Business Strategy New lines of business or new products and services may subject us to additional risks From time to time, we implement new lines of business, particularly in our Equipment Finance, Commercial Finance and Treasury Services operations, or offer new products and services within existing lines of business in our current markets or new markets. There are substantial risks and uncertainties associated with these efforts, particularly in instances where credit risks may be volatile due to changing economic conditions. In developing and marketing new lines of business and / or new products and services, we may invest significant time and resources. As occurred in 2020 due to the COVID- 19 pandemic with respect to certain Equipment Finance products, initial timetables for the introduction and development of new lines of business and / or new products or services may not be achieved and price and profitability targets may not prove feasible, which could in turn have a material negative effect on our operating results. Our business strategy includes growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively Our business strategy includes growth in assets, deposits and the scale of our operations. Achieving our growth targets will require us to attract customers that currently bank at other financial institutions in our market, thereby increasing our share of the market. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market area and our ability to manage our growth. In order to successfully manage our growth, the Company may need to adopt and effectively implement new or revise existing policies, procedures, and controls, as well as hire additional employees or pay higher salaries to retain existing employees, to maintain credit quality, control costs and oversee the Company' s operations. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected. Uncertainties associated with increased loan originations may result in errors in our judgment of collectability, which may lead to additional provisions for credit losses or charge- offs, which would negatively affect our operations. Increasing loan originations would likely require us to lend to borrowers with which we have limited experience. Accordingly, we would not have a significant payment history pattern with which to judge future collectability. Further, newly originated loans have not been subjected to unfavorable economic conditions. As a result, it may be difficult to predict the future performance of newly originated loans. These loans may have delinquency or charge- off levels above our recent historical experience, which could adversely affect our future performance. 8Risks Related to Operational Matters We are subject to information security and operational risks relating to our use of technology and our communications and information systems, including the risk of cyber- attack or cyber- theft Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, general ledger and virtually all other aspects of our business. We depend on the secure processing, storage and transmission of confidential and other information in our data processing systems, computers, networks and communications systems. Although we take numerous protective measures and otherwise endeavor to protect and maintain the privacy and security of confidential data, these systems may be vulnerable to unauthorized access, computer viruses, other malicious code, cyber- attacks, cyber- theft and other events that could have a security impact. If one or more of such events were to occur, this potentially could jeopardize confidential and other information processed and stored in, and transmitted through, our systems or otherwise cause interruptions or malfunctions in our or our customers' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are not fully covered by our insurance. Security breaches involving our network or Internet banking systems could expose us to possible liability and deter customers from using our systems. We rely on specific software and hardware systems to provide the security and authentication necessary to protect our network and Internet banking systems from compromises or breaches of our security measures. These precautions may not fully protect our systems from compromises or breaches of our security measures that could result in damage to our reputation and our business. Although we perform most data processing functions internally, we outsource certain services to third parties. If our third- party providers encounter operational difficulties or security breaches, it could affect our ability to adequately process and account for customer transactions, which could significantly affect our business operations. Our operations rely on numerous external vendors We rely on numerous external vendors to provide us with products and services necessary to maintain our day- to- day operations. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements because of changes in the vendor' s organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to our operations, which in turn could have a material negative impact on our financial condition and results of operations. We also could be adversely affected to the extent such an agreement is not renewed by the third- party vendor or is renewed on terms less favorable to us. Our business and operations could be significantly impacted if we or our third- party vendors suffer failure or disruptions of information processing systems, systems failures or security breaches We have become increasingly dependent on communications, data processing and other information technology systems to manage and conduct our business and support

our day- to- day banking, investment, and trust activities, some of which are provided through third- parties. If we or our third-party vendors encounter difficulties or become the subject of a cyber- attack on or other breach of their operational systems, data or infrastructure, or if we have difficulty communicating with any such third- party system, our business and operations could suffer. Any failure or disruption to our systems, or those of a third- party vendor, could impede our transaction processing, service delivery, customer relationship management, data processing, financial reporting or risk management. Although we take ongoing monitoring, detection, and prevention measures and perform penetration testing and periodic risk assessments, our computer systems, software and networks and those of our third- party vendors may be or become vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses, denial of service attacks, malicious social engineering or other malicious code, or cyber- attacks beyond what we can reasonably anticipate and such events could result in material loss. If any of our financial, accounting or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. Security breaches in our online banking systems could also have an adverse effect on our reputation and could subject us to possible liability. Additionally, we could suffer disruptions to our systems or damage to our network infrastructure from events that are wholly or partially beyond our control, such as electrical or telecommunications outages, natural disasters, widespread health emergencies or pandemics, or events arising from local or larger scale political events, including terrorist acts. There can be no assurance that our policies, procedures and protective measures designed to prevent or limit the effect of a failure, interruption or security breach, or the policies, procedures and protective measures of our third- party vendors, will be effective. If significant failure, interruption or security breaches do occur in our processing systems or those of our third- party providers, we could suffer damage to our reputation, a loss of customer business, additional regulatory scrutiny, or exposure to civil litigation, additional costs and possible financial liability. In addition, our business is highly dependent on our ability to process, record and monitor, on a continuous basis, a large number of transactions. To do so, we are dependent on our employees and therefore, the potential for operational risk exposure exists throughout our organization, including losses resulting from human error. We could be materially adversely affected if one or more of our employees cause a significant operational breakdown or failure. If we fail to maintain adequate infrastructure, systems, controls and personnel relative to our size and products and services, our ability to effectively operate our business may be impaired and our business could be adversely affected. Customer or employee fraud subjects us to additional operational risks Employee errors or omissions, particularly with respect to information security controls, and employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Our loans to businesses and individuals and our deposit relationships and related transactions are also subject to exposure to the risk of loss due to fraud and other financial crimes. Misconduct by our employees could include concealing unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence. We have not experienced any material financial losses from employee errors, misconduct or fraud. However, if our internal controls fail to prevent or promptly detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our financial condition and results of operations. If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including credit, liquidity, operational, legal, regulatory compliance and reputational. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, including risks that we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and our business and results of operations could be materially adversely affected. 9We continually encounter technological change, and may have fewer resources than many of our larger competitors to continue to invest in technological improvements The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We also may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers. **The Bank’ s Board of Directors utilizes internal and external cybersecurity expertise to oversee cybersecurity risk management The Bank has a standing Management Audit / Compliance Committee, which membership includes the Chief Executive Officer, Chief Information Officer, Chief Audit Officer (who is also a Certified Information Systems Auditor) and the Compliance Officer. The Management Audit / Compliance Committee coordinates external and internal audit activities with respect to cyber / information security. The Bank utilizes independent external consultants and auditors to implement, test and audit cybersecurity and information technology systems, controls and practices. The Bank’ s Board of Directors and its senior management rely on reports and information from and by the Bank’ s Information Services Division personnel, and the Bank’ s independent external consultants and auditors, to oversee the Bank’ s cyber / information security policies, controls and practices.** Risks Related to our Lending Activities Our commercial real estate loans constitute a concentration of credit and thus are subject to enhanced regulatory scrutiny and require us to utilize enhanced risk management techniques A substantial portion of our loan portfolio is secured by real estate. Our commercial real estate loan portfolio generally consists of multi- family ~~mortgage~~ **residential real estate** loans originated in selected geographic markets and nonresidential real estate loans originated

predominantly in the Chicago market. At December 31, ~~2022~~ **2023**, our loan portfolio included $ ~~536~~ **527**. ~~3~~ **5** million in multi-family ~~mortgage~~ **residential real estate** loans, or ~~43~~ **49**. ~~5~~ **8** % of total loans, and $ 97. 1 million in non- owner occupied nonresidential real estate loans, or ~~7.~~ 9 **. 2** % of total loans. These commercial real estate loans represented ~~365~~ **370**. ~~95~~ **83** % of the Bank' s $ ~~173~~ **168**. 4 million total risk- based capital at December 31, ~~2022~~ **2023**. Concentrations of credit are pools of loans whose collective performance has the potential to affect a bank negatively even if each individual transaction within the pool is soundly underwritten. When loans in a pool are sensitive to the same economic, financial, or business development, that sensitivity, if triggered, could cause the sum of the transactions to perform as if it were a single, large exposure. As such, concentrations of credit add a dimension of risk that compounds the risk inherent in individual loans. The OCC expects banks to implement board- approved policies and procedures to identify, measure, monitor, and control concentration risks, taking into account the potential impact on earnings and capital under stressed market conditions, economic downturns, and periods of general market illiquidity as well as normal market conditions. Enhanced risk management is required for commercial real estate concentrations exceeding 300 % of total risk- based capital. The Bank has established board- approved policies and procedures to identify, measure, monitor, control and stress test its concentrations of credit. The Bank has taken other specific steps to mitigate concentrations of credit risk, including the establishment of concentrations of credit limits based on loan type and geography, the maintenance of capital in excess of the minimum regulatory requirements, the establishment of appropriate underwriting standards for specific loan types and geographic markets, active portfolio management and an emphasis on originating multi- family **residential real estate** loans that qualify for 50 % risk- weighting under the regulatory capital rules. At December 31, ~~2022~~ **2023**, $ ~~101~~ **315**. ~~1~~ **2** million of the Bank' s multi- family **residential real estate** loans, or ~~18~~ **59**. 8 % of the Bank' s total multi- family **residential real estate** loan portfolio, qualified for 50 % risk- weighting under the regulatory capital rules. The Bank' s earnings and capital could be materially and adversely impacted if economic, financial, or business developments were to occur that materially and adversely impacted all or a material portion of the Bank' s commercial real estate loans and caused them to perform as a single, large exposure. Repayment of our commercial and commercial real estate loans typically depends on the cash flows of the borrower. If a borrower' s cash flows weaken or become uncertain, the loan may need to be classified, the collateral securing the loan may decline in value and we may need to increase our ~~loan~~ **credit** loss reserves or record a charge- off We underwrite our commercial and commercial real estate loans primarily based on the historical and expected cash flows of the borrower, or in the case of Accounts Receivable Commercial Finance, primarily based on the creditworthiness of the account debtors as the principal source of repayment. Although we consider collateral in the underwriting process, it is a secondary consideration that generally relates to the risk of loss in the event of a borrower default for most commercial loan types where the borrower' s cash flow is the principal source of repayment. We follow the OCC' s published guidance for assigning risk- ratings to loans, which emphasizes the strength of the borrower' s cash flow, or for asset-based loans, a sustainable source of liquidity to fund business operations. The OCC' s loan risk- rating guidance provides that the primary consideration in assigning risk- ratings to standard commercial and commercial real estate loans is the strength of the primary source of repayment, which is defined as a sustainable source of cash under the borrower' s control that is reserved, explicitly or implicitly, to cover the debt obligation. The OCC' s loan risk- rating guidance for standard commercial loans and commercial real estate loans typically does not consider secondary repayment sources until the strength of the primary repayment source weakens, and collateral values typically do not have a significant impact on a loan' s risk rating until a loan is classified. Consequently, if a borrower' s cash flows weaken or become uncertain, the loan may need to be classified, whether or not the loan is performing or fully secured. In addition, real estate appraisers typically place significant weight on the cash flows generated by income- producing real estate and the reliability of the cash flows in performing valuations. Thus, economic or borrower- specific conditions that cause a decline in a borrower' s cash flows could cause our loan classifications to increase and the net realizable value of the collateral securing our loans to decline, and require us to increase our ~~loan~~ **credit** loss reserves, record charge- offs, or increase our capital levels. In addition, if we foreclose on these loans, our holding period for the collateral may be longer than for a single or multi- family residential property if there are fewer potential purchasers of the collateral. ~~Repayment~~ **10Repayment** of our equipment finance transactions is typically dependent on the cash flows of the lessee, which may be unpredictable, and the collateral securing these loans may fluctuate in value We lend money to small and mid- sized independent leasing companies to finance the debt portion of leases. An equipment finance transaction results when a leasing company discounts the equipment rental revenue stream owed to the leasing company by a lessee. Our equipment finance transaction entail many of the same types of risks as our commercial loans. Equipment finance transactions generally are non- recourse to the leasing company, and, consequently, our recourse is limited to the lessee and the leased equipment. As with commercial loans secured by equipment, the equipment securing our lease loans may depreciate over time, may be difficult to appraise and may fluctuate in value. We rely on the lessee' s continuing financial stability, rather than the value of the leased equipment, for the repayment of all required amounts under equipment finance transactions. In the event of a default on an equipment finance transaction, the proceeds from the sale of the leased equipment may not be sufficient to satisfy the outstanding unpaid amounts under the terms of the loan. At December 31, ~~2022~~ **2023**, our equipment finance portfolio totaled $ ~~455~~ **303**. ~~7~~ **3** million, or ~~37~~ **28**. ~~0~~ **6** % of our total loan portfolio. ~~10Our~~ -- **Our** loan portfolio includes loans or asset financing agreements to **the** U. S. Government, State Governments, local governments or related entities, private healthcare providers and non- profit entities, and the repayment of these credit exposures is largely dependent upon the receipt of **appropriations for and** cash payments from government programs The repayment of these credit exposures is largely dependent on the borrower' s receipt of payments and reimbursements from U. S **.** Government and individual state government programs, including Medicaid, Medicare and state- level assistance programs, for the services they have provided. The ability of the borrowers to service loans we have made to them may be adversely impacted by the financial ability of the U. S **.** Government, individual state governments or local governments to make direct reimbursement payments, or, via managed healthcare organizations operating under agreements with the federal government or individual states, to make indirect reimbursements for the services

provided. The failure of a direct or indirect payor to make payments to a contractor, subcontractor or provider, or a significant delay in the making of such reimbursements, could adversely affect the ability of the operators of these facilities to repay their obligations to us. In addition, changes to national health care policy involving private health insurance policies may also affect the business prospects and financial condition or operations of commercial loan customers and commercial lessees involved in health care- related businesses. If our allowance for ~~loan~~ **credit** losses is not sufficient to cover actual losses, our earnings would be adversely impacted In the event that our loan customers do not repay their loans according to their terms, and the collateral securing the repayment of these loans is insufficient to cover any remaining loan balance, including expenses of collecting the loan and managing and liquidating the collateral, we could experience significant ~~loan~~ **credit** losses or increase our provision for ~~loan~~ **credit** losses or both, which could have a material adverse effect on our operating results. At December 31, ~~2022~~ **2023** , our allowance for ~~loan~~ **credit** losses was $ 8. ~~1~~ **3** million, which represented 0. ~~66~~ **79** % of total loans and ~~496~~ **37** . ~~88~~ **36** % of nonperforming loans as of that date. In determining the amount of our allowance for ~~loan~~ **credit** losses, we rely on internal and external loan reviews, our historical experience and our evaluation of economic conditions, among other factors. In addition, we make various estimates and assumptions about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets, if any, serving as collateral for the repayment of our loans. We also make judgments concerning our legal positions and the priority of our liens and security interests in contested legal or bankruptcy proceedings, and at times, we may lack sufficient information to establish adequate specific reserves for loans involved in such proceedings. We base these estimates, assumptions and judgments on information that we consider reliable, but if an estimate, assumption or judgment that we make ultimately proves to be incorrect, additional provisions to our allowance for ~~loan~~ **credit** losses may become necessary. In addition, our emphasis on loan and lease growth and on increasing our portfolios of commercial business loans, as well as any future credit deterioration, could require us to increase our allowance for ~~loan~~ **credit** losses in the future. In addition, as an integral part of their supervisory and / or examination process, the OCC periodically reviews the methodology for and the sufficiency of the allowance for ~~loan~~ **credit** losses. The OCC has the authority to require us to recognize additions to the allowance based on their inclusion, exclusion or modification of risk factors or differences in judgments of information available to them at the time of their examination. ~~Beginning in~~ **On January 1,** 2023, the Company ~~is subject to~~ **adopted Accounting Standards Update No. 2016- 13, Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments ("** ASC 326 **"). ASC 326 amends guidance on reporting** ~~, a new accounting standard for the determination of the adequacy of an allowance for~~ credit losses **for financial assets held at amortized cost basis and available- for- sale debt securities** ~~. The Company is in the process of implementing the ASC 326 accounting standard, commonly known as CECL~~ . We are subject to environmental liability risk associated with lending activities A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If so, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property' s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us. The foreclosure process for loans secured by real estate collateral may adversely impact our recoveries on ~~non-performing~~ **nonperforming** loans The judicial foreclosure process is protracted, which delays our ability to resolve ~~non-performing~~ **nonperforming** loans through the sale of the underlying collateral. The longer timelines have been the result of the economic crisis, additional consumer protection initiatives related to the foreclosure process, increased documentary requirements and judicial scrutiny, and, both voluntary and mandatory programs under which lenders may consider loan modifications or other alternatives to foreclosure. These reasons and the legal and regulatory responses have impacted the foreclosure process and completion time of foreclosures for residential mortgage lenders. This may result in a material adverse effect on collateral values and our ability to minimize its losses. ~~Risks~~ **11Risks** Related to Laws and Regulations New or changing tax, accounting, and regulatory rules and interpretations could have a significant impact on our strategic initiatives, results of operations, cash flows, and financial condition The banking services industry is extensively regulated. In addition to regulation by our banking regulators, we also are directly subject to the requirements of entities that set and interpret the accounting standards such as the Financial Accounting Standards Board, and indirectly subject to the actions and interpretations of the Public Company Accounting Oversight Board, which establishes auditing and related professional practice standards for registered public accounting firms and inspects registered firms to assess their compliance with certain laws, rules, and professional standards in public company audits. These regulations, along with the currently existing tax, accounting, securities, insurance, and monetary laws, regulations, rules, standards, policies and interpretations, control the methods by which financial institutions and their holding companies conduct business, engage in strategic and tax planning and implement strategic initiatives, and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies and interpretations are constantly evolving and may change significantly over time, particularly during periods in which the composition of the U. S. Congress and the leadership of regulatory agencies and public sector boards change due to the outcomes of national elections. We use the asset / liability method of accounting for income taxes in which deferred tax assets and liabilities are established for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Under **accounting principles generally accepted in the United States of America (" US** GAAP **")** , a deferred tax asset valuation allowance is

required to be recognized if it is " more likely likely than not " that the deferred tax asset will not be realized.

statutes and regulations. Under these statutes and regulations, the Bank is not permitted to pay dividends on its capital stock to the Company, its sole stockholder, if the dividend would reduce the stockholders' equity of the Bank below the amount of the liquidation account established in connection with the mutual- to- stock conversion. National banks may pay dividends without the approval of its primary federal regulator only if they meet applicable regulatory capital requirements before and after the payment of the dividends and total dividends do not exceed net income to date over the calendar year plus its retained net income over the preceding two years. In addition, in accordance with its Regulatory Capital Policy, the Company expects to maintain a combination of cash, liquid assets and credit availability equal to at least $ 5. 0 million to facilitate its ability to serve as a source of financial strength to the Bank. If in the future, the Company utilizes its available cash for other purposes and the Bank is unable to pay dividends to the Company, the Company may not have sufficient funds to pay dividends. Risks Related to Economic Conditions Changes to U. S. fiscal or monetary policies will continue to affect our loan and deposit portfolio balances **, securities portfolio, liquidity** and customer behavior In response to the COVID- 19 global pandemic, the U. S. Federal Reserve Board in 2020 commenced unprecedented open market operations to increase liquidity of individuals, households, and businesses which operations continue in effect. The fiscal stimulus provided by the U. S. Government in 2020 and 2021, included but not limited to the Paycheck Protection Act, increases to the child tax credit and other government payments. The resultant increase in liquidity from both monetary and fiscal stimulus has since affected, and continues to affect, the demand for loans and the supply of deposits for all types of borrowers and depositors. In addition, changes in the demand and the average selling price for single- family housing, low interest rates and investor uncertainty with respect to other types of commercial real estate property investments, continue to materially increase the market demand for multi- family residential properties due to the scarcity of housing. The combined effect of these government actions and market responses resulted in significant changes in customer behavior, including reduced utilization of commercial lines of credit and pre- payments of multi- family residential **real estate** loans, nonresidential real estate loans, and equipment finance transactions. Disruptions in supply chains, the widespread adoption of hybrid- remote work arrangements, reductions in labor force participation and the aforementioned changes to fiscal policy have caused a material increase in inflation of goods and services, including labor. The increases in domestic and international inflation are likely to result in changes in U. S. and foreign central bank policy with respect to benchmark interest rates such as the Federal Funds Rate and the reduction or termination of open- market securities purchases. The impact of these future potential actions by government authorities are highly uncertain, and such actions may unfavorably impact our loan and deposit portfolio balances, **securities portfolio valuations,** loan originations and repayment activity, liquidity, and asset quality. Adverse changes in local economic conditions and adverse conditions in an industry on which a local market in which we do business depends could negatively affect our financial condition or results of operations Except for our commercial equipment leasing and commercial finance activities, which we conduct on a nationwide basis, and our multi- family **residential real estate** lending activities, which we conduct in selected Metropolitan Statistical Areas, including, but not limited to, the Metropolitan Statistical Areas for Chicago, Illinois, Dallas and San Antonio, Texas, ~~Denver~~ **Charlotte** , ~~Colorado~~ **North Carolina** , and Tampa, Florida, a material portion of our loan and substantially all of our deposit activities are conducted in the Metropolitan Statistical Area for Chicago, Illinois. Our loan and deposit activities are directly affected by, and our financial success depends on, economic conditions within the local markets in which we do business, as well as conditions in the industries on which those markets are economically dependent. A deterioration in local economic conditions, as a result of COVID- 19 or otherwise, or in the condition of an industry on which a local market depends could adversely affect such factors as unemployment rates, business formations and expansions, housing demand, apartment vacancy rates and real estate values in the local market, and this could result in, among other things, a decline in loan and lease demand, a reduction in the number of creditworthy borrowers seeking loans, an increase in loan delinquencies, defaults and foreclosures, an increase in classified and nonaccrual loans, a decrease in the value of the collateral for our loans, an increase in our allowance for ~~loan~~ **credit** losses and a decline in the net worth and liquidity of our borrowers and guarantors. Any of these factors could negatively affect our financial condition or results of operations. In addition, our loan portfolio includes fixed- and adjustable- rate first mortgage loans, home equity loans and home equity lines of credit secured by one- to- four family residential properties primarily located in the Chicago metropolitan area. Residential real estate lending is sensitive to regional and local economic conditions that may significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. Residential loans with high combined loan- to- value ratios generally are more sensitive to declining property values than those with lower combined loan- to- value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, the borrowers may be unable to repay their loans in full from the sale proceeds. As a result, these loans may experience higher rates of delinquencies, defaults and losses, which could in turn adversely affect our financial condition and results of operations. 13Inflation can have an adverse impact on our business and on our customers Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Over the past year, in response to a pronounced rise in inflation, the Federal Reserve Board has raised certain benchmark interest rates to combat inflation. As discussed under " — Risks Related to Interest Rates — Changes in market interest rates could adversely affect our financial condition and results of operations, " as inflation increases and market interest rates rise the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our ~~non- interest~~ **noninterest** expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to **maintain deposits and** repay their loans with us. Sustained higher interest rates by the Federal Reserve Board to tame persistent inflationary price pressures could also push down asset prices and weaken economic activity. A deterioration in economic conditions in the United States and our markets could result in an increase in loan delinquencies and ~~non- performing~~ **nonperforming** assets, decreases in loan collateral values

and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition and results of operations. The City of Chicago and the State of Illinois continue to experience significant financial difficulties, and this could adversely impact certain borrowers and the economic vitality of the City and State The City of Chicago and the State of Illinois are experiencing significant financial difficulties, including material pension funding shortfalls. These issues could impact the economic vitality of the City of Chicago and the State of Illinois and the businesses operating there, encourage businesses to leave the City of Chicago or the State of Illinois, and discourage new employers from starting or moving businesses to there. These issues could also result in delays in the payment of accounts receivable owed to borrowers that conduct business with the State of Illinois and Medicaid payments to nursing homes and other healthcare providers in Illinois, and impair their ability to repay their loans when due. **Our stock price** ~~Risks Related to Accounting Matters A new accounting standard~~ may **be negatively impacted by unrelated bank failures** ~~require us to increase our allowance for loan losses~~ and **negative depositor confidence in depository institutions. Further, if we are unable to adequately manage our liquidity, deposits, capital levels and interest rate risk, which have come under greater scrutiny in light of recent bank failures, it** may have a material adverse effect on our financial condition and results of operations ~~The~~ **On March 9, 2023, Silvergate Bank, La Jolla, California, announced its decision to voluntarily liquidate its assets and wind down operations. On March 10, 2023, Silicon Valley Bank, Santa Clara, California, was closed by the California Department of** Financial ~~Accounting Standards Board has adopted a new accounting standard that will~~ **Protection and Innovation. On March 12, 2023, Signature Bank, New York, New York, was closed by the New York State Department of Financial Services, and on May 1, 2023, First Republic Bank, San Francisco, California, was closed by the California Department of Financial Protection and Innovation. These banks had elevated levels of uninsured deposits, which may** be ~~effective~~ **less likely to remain at the bank over time and less stable as a source of funding than insured deposits. These failures led to volatility and declines in the market** for ~~the Company and the Bank~~ **bank stocks and questions about depositor confidence in depository institutions. These events have led to a greater focus by institutions, investors and regulators on the on- balance sheet liquidity of and funding sources** for ~~our first fiscal year after December 15, 2022. This standard, referred to as Current Expected Credit Loss, or CECL, will require~~ financial institutions **, the composition** ~~to determine periodic estimates~~ of ~~lifetime expected credit~~ **its deposits, including the amount of uninsured deposits, the amount of accumulated other comprehensive** ~~losses~~ -- **loss** ~~on loans~~ , **capital levels** and **interest rate risk management** ~~recognize the expected credit losses as allowances for loan losses~~ . **If we** ~~This will change the current method of providing allowances for loan losses that~~ are ~~probable~~ **unable to adequately manage our liquidity** , ~~which~~ **deposits, capital levels and interest rate risk, it** may ~~require us to increase our allowance for loan losses, and to greatly increase the types of data we will need to collect and review to determine the appropriate level of the allowance for loan losses. Accordingly, regardless of any actual changes to the composition or performance of our loan portfolio, the new accounting standard may require an increase in our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses, and may therefore~~ have a material adverse effect on our financial condition and results of operations. **Risks Related to Accounting Matters** Changes in management' s estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results In preparing periodic reports we are required to file under the Securities Exchange Act of 1934, including our consolidated financial statements, our management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date. These estimates and assumptions are based on management' s best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for ~~loan~~ **credit** losses and the valuation of deferred taxes. Risks Related to Environmental and Other Global Matters Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers Concerns over the long- term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions, operating process changes and other issues. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate- focused companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior. Our business, financial condition, and results of operations could be adversely affected by natural disasters, health epidemics, and other catastrophic events We could be adversely affected if key personnel or a significant number of employees were to become unavailable due to a pandemic, natural disaster, war, act of terrorism, accident, or other reason. Any of these events could result in the temporary reduction of operations, employees, and customers, which could limit our ability to provide services. Additionally, many of our borrowers may suffer property damage, experience interruption of their businesses or lose their jobs after such events. Those borrowers might not be able to repay their loans, and the collateral for such loans may decline significantly in value. 14Other Risks Related to Our Business **Potential downgrades of U. S. government securities by one or more of the credit ratings agencies could have a material adverse effect on our operations, earnings and financial conditionA possible future downgrade of the sovereign credit ratings of the U. S. government and a decline in the perceived creditworthiness of U. S. government- related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affect the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments.** We **cannot**

predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. Among other things, a downgrade in the U. S. government' s credit rating could adversely impact the value of our securities portfolio and may trigger requirements that we post additional collateral for trades relative to these securities. A downgrade of the sovereign credit ratings of the U. S. government or the credit ratings of related institutions, agencies or instruments would significantly exacerbate the other risks to which we are **subject and any related adverse** ~~required to transition from the use of the LIBOR interest rate index We have certain loans indexed to LIBOR to calculate the loan interest rate. At December 31, 2022, we had $ 58. 8 million, or 4. 8 %, of our loan portfolio indexed to LIBOR. The LIBOR index will be discontinued for U. S. Dollar setting effective~~ **effects on** ~~June 30, 2023. The implementation of a substitute index or indices for~~ the **business** ~~calculation of interest rates under our loan agreements with our borrowers may incur significant expenses in effecting the transition. Additionally~~ , **financial condition** ~~since alternative rates are calculated differently, the transition may change our market risk profile, requiring changes to risk~~ and ~~pricing models~~ **results of operations** . Various factors may make takeover attempts that you might want to succeed more difficult to achieve, which may affect the value of shares of our common stock Provisions of our articles of incorporation and bylaws, federal regulations, Maryland law and various other factors may make it more difficult for companies or persons to acquire control of the Company without the consent of our board of directors. You may want a takeover attempt to succeed because, for example, a potential acquirer could offer a premium over the then prevailing price of our shares of common stock. Provisions of our articles of incorporation and bylaws also may make it difficult to remove our current board of directors or management if our board of directors opposes the removal. We have elected to be subject to the Maryland Business Combination Act, which places restrictions on mergers and other business combinations with large stockholders. In addition, our articles of incorporation provide that certain mergers and other similar transactions, as well as amendments to our articles of incorporation, must be approved by stockholders owning at least two- thirds of our shares of common stock entitled to vote on the matter unless first approved by at least two- thirds of the number of our authorized directors, assuming no vacancies. If approved by at least two- thirds of the number of our authorized directors, assuming no vacancies, the action must still be approved by a majority of our shares entitled to vote on the matter. In addition, a director can be removed from office, but only for cause, if such removal is approved by stockholders owning at least two- thirds of our shares of common stock entitled to vote on the matter. However, if at least two- thirds of the number of our authorized directors, assuming no vacancies, approves the removal of a director, the removal may be with or without cause, but must still be approved by a majority of our voting shares entitled to vote on the matter. Additional provisions include limitations on the voting rights of any beneficial owners of more than 10 % of our common stock. Our bylaws, which can only be amended by the board of directors, also contain provisions regarding the timing, content and procedural requirements for stockholder proposals and nominations. We could record future losses on our investment securities portfolio A number of factors or combinations of factors could require us to conclude in one or more future reporting periods that an unrealized loss that exists with respect to these and other securities constitutes a credit related impairment, which could result in material losses to us. These factors include, but are not limited to, failure by the issuer to make scheduled interest payments, the issuer of the securities and their creditworthiness, any changes to the rating of the security and any adverse conditions specifically related to the security that would render us unable to forecast a full recovery in value. In addition, the fair values of securities could decline if the overall economy and the financial condition of some of the issuers deteriorates and there remains limited liquidity for these securities. **At** ~~During the year ended~~ December 31, ~~2022~~ **2023** , we ~~incurred~~ **recorded** other comprehensive losses of $ **2.** 6 ~~. 1~~ million related to net changes in unrealized holding losses in the available- for- sale investment securities portfolio **. A lack of liquidity could adversely affect our financial condition and results of operations. Liquidity is essential to our business. We maintain liquidity in the form of cash and interest- bearing deposits on our balance sheet, and we have additional sources of liquidity from Federal Home Loan Bank advances and other sources. In addition, 86 % of our deposits are insured by the FDIC and we maintain reciprocal FDIC deposit insurance programs up to $ 10 million for customers with deposits in excess of the $ 250, 0000 federal deposit insurance limit. We rely on our ability to generate deposits and effectively manage the repayment of our liabilities to ensure that there is adequate liquidity to fund operations. An inability to raise funds through deposits, borrowings, the sale and maturities of loans and securities and other sources could have a substantial negative effect on liquidity. Our most important source of funds is our deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk adjusted return, which are strongly influenced by such external factors as the direction of interest rates, local and national economic conditions and the availability and attractiveness of alternative investments. Further, the demand for deposits may be reduced due to a variety of factors such as negative trends in the banking sector, the level of and / or composition of our uninsured deposits, demographic patterns, changes in customer preferences, reductions in consumers' disposable income, the monetary policy of the FRB or regulatory actions that decrease customer access to particular products. If customers move money out of bank deposits and into other investments such as money market funds, we would lose a relatively low- cost source of funds, which would increase our funding costs and reduce net interest income. Any changes made to the rates offered on deposits to remain competitive with other financial institutions may also adversely affect profitability and liquidity. Other primary sources of funds consist of cash flows from operations, maturities and sales of investment securities and / or loans, brokered deposits, borrowings from the FHLB and / or FRB discount window, and unsecured borrowings. We also may borrow funds from third- party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry, a decrease in the level of our business activity as a result of a downturn in markets or by one or more adverse**

regulatory actions against us or the financial sector in general. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet expenses, or to fulfill obligations such as meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations. 15We could have insufficient liquidity to meet customer demand for funds We maintain liquidity in the form of cash and interest- bearing deposits on our balance sheet, and we have additional sources of liquidity from Federal Home Loan Bank advances and other sources. In addition, 86 % of our deposits are insured by the FDIC and we maintain reciprocal deposit insurance programs up to $ 10 million for customers with deposits in excess of the $ 250, 0000 federal deposit insurance limit. However, unexpected events could result in rapid withdrawals by customers for which our then- available sources of liquidity may be inadequate . The residual impacts of the novel COVID- 19 outbreak, and associated governmental responses, could adversely affect our financial condition and results of operations Global health concerns relating to the COVID- 19 pandemic and related government actions taken to reduce the spread of the virus have continued to affect the macroeconomic environment, both nationally and in the Company' s existing geographic footprint. ITEM 1B. UNRESOLVED STAFF COMMENTS