Risk Factors Comparison 2024-03-28 to 2023-03-24 Form: 10-K

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

The material risks that management believes affect the Company are described below. You should carefully consider the risks as described below, together with all of the information included herein. The risks described below are not the only risks the Company faces. Additional risks not presently known also may have a material adverse effect on the Company' s results of operations and financial condition. Risks Related to ~~the COVID- 19 Pandemic The ongoing COVID- 19 pandemic and measures intended to prevent its spread could adversely affect the Company' s business activities, 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 affected the macroeconomic environment, both nationally and in the Company' s market area. Federal and state agencies may pass measures to address the economic and social consequences of the pandemic that could impact the Company' s financial results and have a destabilizing effect on financial markets, key market indices, and overall economic activity. Prolonged measures by public health or other governmental authorities encouraging or requiring significant restrictions on travel, assembly or other core business practices could harm the Bank' s business and that of its customers, in particular, small to medium- sized business customers. Although the Company has business continuity plans and other safeguards in place, there is no assurance that they will be effective. A decline in economic conditions generally and a prolonged negative impact on small to medium- sized businesses, in particular, due to the COVID- 19 pandemic could result in a material adverse effect on the Company' s business, financial condition, and results of operations and may heighten many of the known risks described herein and in other filings with the SEC. Risks Related to~~ our Lending Activities The geographic concentration of our loan portfolio makes us vulnerable to a downturn in the local economy. At December 31, ~~2022~~ **2023** , approximately $ ~~466~~ **710. 8 million, or 99** . 1 ~~million, or 64. 6~~ % of our total loan portfolio, was secured by real estate, most of which is located in our primary lending market of Bergen, Essex, Monmouth, Morris and Ocean Counties in New Jersey. Unlike larger financial institutions that are more geographically diversified, our profitability depends primarily on the general economic conditions in our primary market area. Local economic conditions have a significant impact on our lending, including the ability of borrowers to repay these loans and the value of the collateral securing these loans. Future declines in the real estate values in northern and central New Jersey could significantly impair the value of the collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower' s obligations to us. This could require increasing our allowance for ~~loan~~ **credit** losses, which could have a material adverse effect on our business, financial condition, results of operations and growth ~~prospects~~ . ~~Our~~ **24Our** strategy **emphasis on** ~~of increasing the amount of~~ commercial and multi- family real estate loans ~~we originate~~ may expose us to increased lending risks. At December 31, ~~2022~~ **2023** , $ ~~162~~ **175** . ~~3~~ **4** million, or ~~22~~ **24** . 5 % of our loan portfolio, consisted of commercial and multi- family real estate loans. We are committed to increasing this type of lending. However, commercial and multi- family real estate loans generally expose a lender to a greater risk of loss than one- to four- family residential loans. Repayment of commercial and multi- family real estate loans generally depends, in large part, on sufficient income from the property or business to cover operating expenses and debt service. Commercial and multi- family 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. Changes in economic conditions that are beyond the control of the borrower and lender could impact the value of the security for the loan or the future cash flows of the affected property. Additionally, any decline in real estate values may affect commercial and multi- family real estate properties more than residential properties. Also, many of our commercial and multi- family real estate borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a residential mortgage loan. Our non- owner occupied commercial real estate loans may expose us to increased credit risk. At December 31, ~~2022~~ **2023** , $ ~~66~~ **70** . ~~1~~ **3** million, or 9. ~~2~~ **8** % of our total loan portfolio, consisted of loans secured by non- owner occupied commercial real estate loans. At December 31, ~~2022~~ **2023** , $ ~~458~~ **494** , 000, or 0. ~~69~~ **7** % of these loans were past due. Loans secured by non- owner occupied properties generally expose a lender to greater risk of non- payment and loss than loans secured by owner occupied properties because repayment of such loans depend primarily on the tenant' s continuing ability to pay rent to the property owner, who is our borrower, or, if the property owner is unable to find a tenant, the property owner' s ability to repay the loan without the benefit of a rental income stream. In addition, the physical condition of non- owner occupied properties may be below that of owner occupied properties due to lax property maintenance standards that negatively impact the value of the collateral properties. Our allowance for credit losses may not be sufficient to cover actual ~~loan~~ **credit** losses. We maintain an allowance for credit losses, which is established through a provision for credit losses that represents management' s best estimate of current expected credit losses within our loan portfolio. We make various assumptions and judgments about the collectability of loans in our portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the adequacy of the allowance for credit losses, we rely on our **historical loss** experience and our evaluation of economic and other conditions. If our assumptions prove to be incorrect, ~~our~~ **the** allowance for credit losses may not be sufficient to cover **the** losses ~~inherent~~ in our loan portfolio, and adjustments may be necessary to address different economic conditions or adverse developments in the loan portfolio. Consequently, a problem with one or more loans could require us to significantly increase our provision for credit losses. In addition, the NJDBI and the Federal Deposit Insurance Corporation review our allowance for credit losses and as a result of such reviews, they may require us to adjust our allowance for loan losses or recognize loan charge- offs. Material additions to the allowance would materially decrease our net income. The implementation of **the** Current Expected Credit Losses, or CECL, standard became effective for Bogota Financial Corp. on January 1, 2023. CECL requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for credit losses. This ~~will change~~ **changed** the ~~current~~ method of providing allowances for credit losses that are incurred or probable, which ~~would likely require~~ **required** us to increase our allowance for credit losses, and to greatly increase the types of data we ~~would~~ need to collect and review to determine the appropriate level of the allowance for credit losses. The Company has no history of credit losses and therefore ~~will use~~ **used** the Weighted Average Remaining Maturity (WARM) method and ~~rely~~ **relied** on the use of qualitative factors to determine future **losses. Upon adoption of the CECL method of calculating the allowance for** credit losses ~~. The Company expects~~ **on January 1, 2023,** the **Bank recorded a** one- time ~~cumulative adjustment~~ **decrease, net of tax, in retained earnings of $ 220, 000, an increase** to **the allowance for credit losses of $ 157, 000 and an increase in the reserve for unfunded liabilities of $ 152, 000. Our concentrations of loans in certain industries could have adverse effects on credit quality. As of December 31, 2023, the Company' s loan portfolio included loans to: (i) lessors of office buildings of $ 58. 0 million, or 8. 1 % of total loans; and (ii) borrowers in the retail industry of $ 70. 1 million, or 9. 8 % of total loans. Because of these concentrations of loans in specific industries, a deterioration within these industries, especially those that have been particularly adversely impacted by long- term work- from- home arrangements on the commercial real estate sector, including retail stores, hotels and office buildings, creates greater risk exposure for our commercial real estate loan portfolio. Should the fundamentals of the commercial real estate market deteriorate, our financial condition and results of operations could** be **adversely affected** ~~in the range of 10 % to 15 % of the allowance based on the implementation of the new standard~~ . ~~We~~ **25We** 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. In such event, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property' s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us. ~~Risks Related to Market Interest Rates The reversal of the historically low interest rate environment may adversely affect our net interest income 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. Market interest rates have risen in response to the Federal Reserve Board' s rate increases. The increase in market interest rates may have an adverse effect on our net interest income and profitability.~~ Changes in interest rates may reduce our profits. Our profitability, like that of most financial institutions, depends to a large extent upon our net interest income, which is the difference between our interest income on interest- earning assets, such as loans and securities, and our interest expense on interest- bearing liabilities, such as deposits and borrowed funds. Accordingly, our results of operations depend largely on movements in market interest rates and our ability to manage our interest rate- sensitive assets and liabilities in response to these movements. Factors such as inflation, recession and instability in financial markets, among other factors beyond our control, may affect interest rates. As a result of our historical focus on one- to four- family residential real estate loans, the majority of our loans have fixed interest rates. This can create significant earnings volatility because of changes in market interest rates. In a period of rising interest rates, the interest income earned on our assets, such as loans and investments, may not increase as rapidly as the interest paid on our liabilities, such as deposits, which have shorter durations. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities, as borrowers prepay mortgage loans, thereby requiring us to reinvest these cash flows at lower interest rates. Furthermore, increases in interest rates may adversely affect the ability of borrowers to make loan repayments on adjustable- rate loans, as the interest owed on such loans would increase as interest rates increase. Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. While we pursue an asset / liability strategy designed to mitigate our risk from changes in interest rates, changes in interest rates can still have a material adverse effect on our financial condition and results of operations. Changes in interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. Also, our interest rate risk modeling techniques and assumptions cannot fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results. For further discussion of how changes in interest rates could impact us, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Management of Market Risk. " ~~Changes~~ **26Changes** in the estimated fair value of debt securities may reduce stockholders' equity and net income. At December 31, ~~2022~~ **2023** , the Company maintained a debt securities portfolio of $ ~~162~~ **141** . 5 million, of which $ ~~85~~ **68** . ~~1~~ **9** million was classified as available- for- sale. The estimated fair value of the available- for- sale debt securities portfolio may change depending on the credit quality of the underlying issuer, market liquidity, changes in interest rates and other factors. Stockholders' equity is increased or decreased by the amount of the change in the unrealized gain or loss (difference between the estimated fair value and the amortized cost) of the available- for- sale debt securities portfolio, net of the related tax expense or benefit, under the category of accumulated other comprehensive ~~income (~~ loss ~~)~~ . During the year ended December 31, ~~2022~~ **2023** , we incurred other comprehensive losses of $ **140, 000** ~~5. 9 million~~ related to net changes in unrealized holding losses in the available- for- sale investment securities portfolio **and had total accumulated other comprehensive loss of $ 6. 5 million** . A decline in the estimated fair value of this portfolio will result in a decline in reported stockholders' equity, as well as book value per common share. The decrease will occur even though the securities are not sold. Risks Related to Economic Conditions Inflation 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. **In** ~~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 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 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 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 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. A deterioration in economic conditions could reduce demand for our products and services and / or result in a decrease in our asset quality, which could have an adverse effect on our results of operations. A deterioration in economic conditions could result in the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations: ~~•~~ **●** demand for our products and services may decrease; ~~•~~ **●** loan delinquencies, problem assets and foreclosures may increase, which may require an increase to our allowance for ~~loan~~ **credit** losses; ~~•~~ **●** collateral for loans, especially real estate, may decline in value, thereby reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans; ~~•~~ **●** the value of our securities portfolio may decrease; and / or ~~•~~ **●** the net worth and liquidity of loan guarantors may decrease, thereby impairing their ability to honor commitments made to us. Moreover, a significant decline in general economic conditions, caused by a pandemic, inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control could further negatively affect our financial performance. Further, a U. S. government debt default would have a material adverse impact on our business and financial performance, including a decrease in the value of Treasury bonds and other government securities held by us, which could negatively impact the Bank' s capital position and its ability to meet regulatory requirements. Other negative impacts could be volatile capital markets, an adverse impact on the U. S. economy and the U. S. dollar, as well as increased default rates among borrowers in light of increased economic uncertainty. Some of these impacts might occur even in the absence of an actual default but as a consequence of extended political negotiations around the threat of such a default and a government shutdown. ~~Risks~~ **27Risks** Related to Our Funding Our inability to generate core deposits could have an adverse effect on our net interest margin and profitability or may cause us to rely more heavily on wholesale funding strategies for liquidity needs. Certificates of deposit comprised $ ~~492~~ **493** . ~~6~~ **3** million or ~~70~~ **78** . ~~2~~ **9** % of our total deposits at December 31, ~~2022~~ **2023** . Certificates of deposit due within one year of December 31, ~~2022~~ **2023** totaled $ ~~291~~ **430** . ~~1~~ **8** million, or ~~41~~ **68** . ~~5~~ **9** % of total deposits. This included $ ~~58~~ **53** . ~~6~~ **3** million of brokered deposits, which represented 8. ~~4~~ **5** % of total deposits. While part of our business strategy is to emphasize generating transaction accounts, we cannot guarantee if and when this will occur. Further, the considerable competition for deposits in our market area also make it difficult for us to obtain reasonably- priced deposits. If we are not able to increase our lower- cost transactional deposits, we may be forced to continue to pay higher costs for certificates of deposit, which would adversely affect our operating margins and profitability, or to seek other sources of funds, including other certificates of deposit, Federal Home Loan Bank advances, brokered deposits and lines of credit to meet the borrowing and deposit withdrawal requirements of our customers. If our banking deposits that we receive from municipalities were lost within a short period of time, it could negatively impact our liquidity and earnings. As of December 31, ~~2022~~ **2023** , we held $ ~~57~~ **48** . ~~5~~ **0** million of deposits from municipalities in our primary market area in New Jersey. These deposits may be more volatile than other deposits and generally are larger than our retail or business deposits. If a significant amount of these deposits were withdrawn within a short period of time, it could have a negative impact on our short- term liquidity and have an adverse impact on our earnings. Risks Related to Our Business Strategy Building market share through de novo branching may cause our expenses to increase faster than revenues. We are considering building market share by opening de novo branches in contiguous markets. There are considerable costs involved in de novo branching as new branches generally require time to generate sufficient revenues to offset their initial start- up costs, especially in areas in which we do not have an established presence. Accordingly, any new branch can be expected to negatively impact our earnings until the branch attracts a sufficient number of deposits and loans to offset expenses. We cannot assure you that if we open new branches, they will be successful even after they have been established. Acquisitions may disrupt our business and dilute shareholder value. Our business strategy includes pursuing acquisition opportunities of other financial institutions. We would seek acquisition partners that offer us either significant market presence or the potential to expand our market footprint and improve profitability through economies of scale or expanded services. Acquiring other banks may have an adverse effect on our financial results and may involve various other risks, including, among other things: difficulty in estimating the value of the target institution; payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short and long term; potential exposure to unknown or contingent tax or other liabilities; exposure to potential asset quality problems; difficulty and expense of integrating the operations and personnel of the target institution; risk that the acquired business will not perform according to management' s expectations because of our inability to realize projected revenue increases, cost savings, improved geographic or product presence, or other projected benefits; potential disruptions to our business; potential diversion of management' s time and attention; and the possible loss of key employees and customers of the target institution. Our business strategy contemplates moderate organic growth, and our financial condition and results of operations may be adversely affected if we fail to grow or fail to manage our growth effectively. Our assets ~~increased~~ **decreased** $ ~~113~~ - **11** . ~~7~~ **8** million, or ~~13~~ **1** . ~~6~~ **2** %, from ~~$ 837. 4 million at December 31, 2021 to~~ $ 951. 1 million at December 31, 2022 **to $ 939. 3 million at December 31, 2023** , primarily due to ~~increases~~ **decreases** in loans receivable **and investments** . Over the next several years, we expect to experience moderate organic growth in our total assets and deposits, and the scale of our operations. Achieving our organic growth targets requires us to attract customers that currently bank at other financial institutions in our market. Our ability to grow successfully will depend on a variety of factors, including our ability to attract and retain experienced bankers, the availability of attractive business opportunities ~~,~~ **and** competition from other financial institutions in our market area ~~and our ability to manage our growth~~ . While we believe we have the management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth. If we do not manage our growth effectively, we may not be able to achieve our business plan, which would have an adverse effect on our financial condition and results of operations. ~~Risks~~ **28Risks** Related to Our Securities Portfolio Our investments in corporate and municipal debt securities obligations expose us to additional credit risks, which could adversely affect our financial condition and results of operations. Our investment portfolio historically has consisted primarily of mortgage- backed securities insured or guaranteed by the United States or agencies thereof. We also have invested in bank- qualified municipal obligations and corporate bonds that are not backed by the federal government and expose us to a greater credit risk than U. S. agency securities. Any decline in the credit quality of these securities exposes us to the risk that the market value of the securities could decrease that may require us to write down their value and could lead to a possible default in payment. Changes in the valuation of our securities portfolio may reduce our profits and our capital levels. Our securities portfolio may be affected by fluctuations in market value, potentially reducing accumulated other comprehensive income or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand ~~. Management evaluates securities for other- than- temporary impairment on a quarterly basis, with more frequent evaluation for selected issues~~ . In analyzing a debt issuer' s financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, industry analysts' reports and spread differentials between the effective rates on instruments in the portfolio compared to risk- free rates. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, we may take a charge to earnings to reflect such impairment. Changes in interest rates may also have an adverse effect on our financial condition, as our available- for- sale securities are reported at their estimated fair value, and therefore are affected by fluctuations in interest rates. We increase or decrease our stockholders' equity by the amount of change in the estimated fair value of the available- for- sale securities, net of taxes. See " Risks Related to Market Interest Rates – Changes in the estimated fair value of debt securities may reduce stockholders' equity and net income. " Declines in market value may result in other- than- temporary impairments of these assets, which may lead to accounting charges that could have a material adverse effect on our net income and stockholders' equity. Risks Related to Our Operations We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance. We are a community bank, and our reputation is one of the most valuable components of our business. **We** ~~A key component of our business strategy is to~~ rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and employees. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results may be materially adversely affected. Our success depends on retaining certain key personnel. Our performance largely depends on the talents and efforts of our experienced senior management team. We rely on key personnel to manage and operate our business, including major revenue generating functions such as loan and deposit generation. The loss of key staff may adversely affect our ability to maintain and manage these functions effectively, which could negatively affect our income. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which would reduce our net income. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees. ~~Systems~~ **29Systems** failures or breaches of our network security could adversely affect our financial condition and results of operation and subject us to increased operating costs as well as litigation and other liabilities. Our operations depend upon our ability to protect our computer systems and network infrastructure against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, cyber attacks, and viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break- ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third- party service providers, intend to continue to implement security technology and establish operational procedures designed to prevent such damage, our security measures may not be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third- party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations. Our risk and exposure to cyber attacks or other information security breaches remains heightened because of, among other things, the evolving nature of these threats. There continues to be a rise in security breaches and cyber attacks within the financial services industry. Financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware, ransomware and denial- of- service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, financial losses, the inability of our customers to transact business with us, violations of applicable privacy and other laws, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and / or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition **. While our Board of Directors takes an active role in cybersecurity risk tolerance, we rely to a large degree on management and outside consultants in overseeing cybersecurity risk management. Our Board of Directors takes an active role in our cybersecurity risk management and all members receive cybersecurity training annually. The Board reviews the annual risk assessments and approves information technology policies, which include cybersecurity. Furthermore, our Audit Committee is responsible for reviewing all audit findings related to information technology general controls, internal and external vulnerability, and penetration testing. The Board receives an annual information security report from our Chief Technology Officer as it relates to cybersecurity and related issues. We also engage outside consultants to support our cybersecurity efforts. However, our directors do not have significant experience in cybersecurity risk management outside of the Company and therefore, its ability to fulfill its oversight function remains dependent on the input it receives from management and outside consultants** . Natural disasters, acts of terrorism, global market disruptions and other external events could harm our business. Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. A significant natural disaster, such as a tornado, hurricane, fire or flood, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, violence or human error could cause disruptions to our business or the economy as a whole. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition. Additionally, global markets may be adversely affected by natural disasters, the emergence of widespread health emergencies or pandemics, cyber attacks or campaigns, military conflict, terrorism or other geopolitical events. Global market disruptions may affect our business liquidity. Also, any sudden or prolonged market downturn in the U. S. or abroad, as a result of the above factors or otherwise could result in a decline in revenue and adversely affect our results of operations and financial condition, including capital and liquidity levels. Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses. Our risk management framework is designed to minimize risk and loss to us. We try to identify, measure, monitor, report and control our exposure to risk, including strategic, market, liquidity, compliance and operational risks. While we use broad and diversified risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Recent economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased our level of risk. Accordingly, we could suffer losses if we fail to properly anticipate and manage these risks. ~~Risks~~ **30Risks** Related to Competition Strong competition within our market area may reduce our profits and slow growth. We face strong competition in making loans and attracting deposits. Price competition ~~for loans and deposits~~ sometimes requires us to charge lower interest rates on our loans and pay higher interest rates on our deposits, and may reduce our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. Many of our competitors have substantially greater resources and lending limits than we have and may offer services that we do not provide. Our competitors often aggressively price loan and deposit products when they enter into new lines of business or new market areas. If we are unable to effectively compete in our market area, our profitability would be negatively affected. The greater resources and broader offering of deposit and loan products of some of our competitors may also limit our ability to increase our interest- earning assets. For more information about our market area and the competition we face, see “ Business of Bogota Savings Bank — Market Area ” and “ — Competition. ” Risks Related to Laws and Regulations and Their Enforcement Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and / or increase our costs of operations. We are subject to extensive regulation, supervision and examination by our banking regulators. Such regulation and supervision govern the activities in which a financial institution and its holding company may engage and are intended primarily for the protection of insurance funds and the depositors and borrowers of Bogota Savings Bank rather than for the protection of our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the ability to impose restrictions on our operations, classify our assets and determine the level of our allowance for credit losses. These regulations, along with the currently existing tax, accounting, securities, deposit insurance and monetary laws, rules, standards, policies, and interpretations, control the ways financial institutions conduct business, implement strategic initiatives, and prepare financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations, legislation or supervisory action, may have a material impact on our operations. We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or restrict us from paying dividends or repurchasing shares. Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk- based capital and leverage ratios and define what constitutes “ capital ” for calculating these ratios. The minimum capital requirements, including a “ capital conservation buffer ” of 2. 5 %, result in the following minimum ratios: (1) a common equity Tier 1 capital ratio of 7. 0 %, (2) a Tier 1 to risk- based assets capital ratio of 8. 5 %, and (3) a total capital ratio of 10. 5 %. An institution will be subject to limitations on paying dividends, repurchasing its shares, and paying discretionary bonuses, if its capital levels fall below the buffer amount. The federal banking agencies adopted a rule, effective January 1, 2020, that authorizes institutions with assets of less than $ 10 billion and that meet other specified criteria, to elect to comply with a " community bank leverage ratio " (the ratio of a bank' s Tier 1 equity capital to average total consolidated assets) of 9 % in lieu of the generally applicable leverage and risk- based capital requirements under Basel III. A " qualifying community bank " with capital exceeding 9 % that exercises the election will be considered compliant with all applicable regulatory capital and leverage requirements, including the requirement to be " well capitalized. " We elected to comply with the community bank leverage ratio. The application of these more stringent capital requirements, among other things, could result in lower returns on equity and result in regulatory actions if we were unable to comply with such requirements. Non- compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions. The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Treasury' s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers that open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations. ~~Changes~~ **31Changes** in accounting standards could affect reported earnings. The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the Securities and Exchange Commission and bank regulators, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively. Risks Related to Ownership of Our Common Stock Federal Reserve Board regulations and policy effectively prohibit Bogota Financial, MHC from waiving the receipt of dividends, which will likely preclude us from paying any dividends on our common stock. Bogota Financial Corp.' s board of directors has the authority to declare dividends on our common stock subject to statutory and regulatory requirements. We currently intend to retain all our future earnings, if any, for use in our business and do not expect to pay any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends will be made by our board of directors and will depend upon our financial condition, results of operations, capital requirements, restrictions under Federal Reserve Board regulations and policy, our business strategy and other factors that our board of directors deems relevant. Under current Federal Reserve Board regulations and policy, if Bogota Financial Corp. pays dividends to its public stockholders, it also would be required to pay dividends to Bogota Financial, MHC, unless Bogota Financial, MHC waives the receipt of such dividends. Current Federal Reserve Board policy has been to prohibit mutual holding companies that are regulated as bank holding companies, such as Bogota Financial, MHC, from waiving the receipt of dividends and the Federal Reserve Board' s regulations implemented after the enactment of the Dodd- Frank Act effectively prohibit mutual holding companies from waiving dividends declared by their subsidiaries. See " Supervision and Regulation — Holding Company Regulation — Waivers of Dividends by Bogota Financial, MHC " for a further discussion of the applicable requirements related to the potential waiver of dividends by a mutual holding company. Unless Federal Reserve Board regulations or policy change by allowing Bogota Financial, MHC to waive the receipt of dividends declared by Bogota Financial Corp. without diluting minority stockholders, it is unlikely that Bogota Financial Corp. will pay any dividends. Our common stock is not heavily traded, and the stock price may fluctuate significantly. Our common stock is traded on The NASDAQ Capital Market. Certain brokers currently make a market in the common stock, but such transactions are infrequent and the volume of shares traded is relatively small. Management cannot predict whether these or other brokers will continue to make a market in our common stock. Prices on stock that is not heavily traded can be more volatile than heavily traded stock. Factors such as our financial results, the introduction of new products and services by us or our competitors, publicity regarding the banking industry, and various other factors affecting the banking industry may have a significant impact on the market price of the shares the common stock. Management also cannot predict the extent to which an active public market for our common stock will develop or be sustained in the future. Accordingly, stockholders may not be able to sell their shares of our common stock at the volumes, prices, or times that they desire. Bogota Financial, MHC' s majority control of our common stock enables it to exercise voting control over most matters put to a vote of stockholders and will prevent stockholders from forcing a sale or a second- step conversion transaction you may find advantageous. Bogota Financial, MHC owns a majority of Bogota Financial Corp.' s common stock and, through its board of directors, is able to exercise voting control over most matters put to a vote of stockholders. The votes cast by Bogota Financial, MHC may not be in your personal best interests as a stockholder. For example, Bogota Financial, MHC may exercise its voting control to defeat a stockholder nominee for election to the board of directors of Bogota Financial Corp. and will be able to elect all of the directors of Bogota Financial Corp. Some stockholders may desire a sale or merger transaction, since stockholders typically receive a premium for their shares. Stockholders may also desire a second- step conversion transaction, since most fully stock institutions tend to trade at higher multiples of book value than mutual holding companies. However, stockholders will not be able to force a merger or a second- step conversion transaction without the consent of Bogota Financial, MHC since such transactions also require, under New Jersey and federal law, the approval of a majority of all of the outstanding voting stock, which can only be achieved if Bogota Financial, MHC votes to approve such transactions. ~~We~~ **32We** are an emerging growth company and have elected to comply only with the reduced reporting and disclosure requirements applicable to emerging growth companies. As such, our common stock may be less attractive to investors. We are an emerging growth company and for as long as we continue to be an emerging growth company, we plan to take advantage of exemptions from various reporting requirements applicable to other public companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non- binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Investors may find our common stock less attractive as we rely on these exemptions. Even if we no longer qualify as an emerging growth company, as a smaller reporting company, we would still be eligible to use reduced disclosure requirements, which may make our common stock less attractive to investors. Even if we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company. As such, we plan to take advantage of reduced disclosure obligations, including regarding executive compensation, in our periodic reports and proxy statements. As a result, investors may find our common stock less attractive. As a smaller reporting company that is a non- accelerated filer, we also will not be subject to Section 404 (b) of the Sarbanes- Oxley Act, which would require that our independent auditors review and attest to the effectiveness of our internal control over financial reporting. Various factors may make takeover attempts more difficult to achieve. Stock banks or their holding companies, as well as individuals, may not acquire control of ~~a~~ **an entity in the** mutual holding company **structure** , such as Bogota Financial Corp. As result, the only persons that may acquire control of a mutual holding company are other mutual savings institutions or mutual holding companies. Accordingly, it is very unlikely that Bogota Financial Corp. would be subject to any takeover attempt by activist stockholders or other financial institutions. There also are provisions in our articles of incorporation and bylaws that may be used to delay or block a takeover attempt, including a provision that prohibits any person, other than Bogota Financial, MHC, from voting more than 10 % of the shares of common stock outstanding. In addition, state and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of Bogota Financial Corp. without our board of directors' prior approval. Under ~~Federal Reserve Board regulations, for a period of three years following completion of our initial public offering, no person may directly or indirectly acquire or offer to acquire beneficial ownership of more than 10 % of our common stock without prior approval of the Federal Reserve Board. In addition, under~~ federal law, subject to certain exemptions, a person, entity or group must notify the Federal Reserve Board before acquiring control of a bank holding company. Acquisition of 10 % or more of any class of voting stock of a bank holding company creates a rebuttable presumption that the acquirer " controls " the bank holding company. Also, a bank holding company must obtain the prior approval of the Federal Reserve Board and the NJDBI before, among other things, acquiring direct or indirect ownership or control of more than 5 % of any class of voting shares of any bank, including Bogota Savings Bank. **Risks Related to the COVID- 19 Pandemic The COVID- 19 pandemic could adversely affect the Company' s business activities, 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 could harm the Bank' s business and that of its customers, in particular, small to medium- sized business customers. A decline in economic conditions generally and a prolonged negative impact on small to medium- sized businesses, in particular, due to the COVID- 19 pandemic could result in a material adverse effect on the Company' s business, financial condition, and results of operations.**