Risk Factors Comparison 2024-03-12 to 2023-03-16 Form: 10-K

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

Risks Related to our Business and Industry ~~The COVID- 19 pandemic is adversely impacting us and our clients, counterparties, employees, and third- party service providers. Further, the COVID- 19 pandemic could lead to an economic recession or other severe disruptions in the U. S. economy and may disrupt banking and other financial activity in the areas in which we operate and the adverse impacts on our business, financial position, results of operations and prospects could be significant. The COVID- 19 pandemic and related countermeasures have caused economic and financial disruptions in the areas in which we conduct our business operations. The spread of COVID- 19 has caused us to modify our business practices, including employee travel, employee work locations, and reduction of physical participation in meetings, events, and conferences. In accordance with relevant public health guidance and local conditions, we conducted a phased return to our offices and facilities, implemented a hybrid remote / office working model, and resumed certain travel, but continue to closely monitor the COVID- 19 pandemic to determine if additional actions or policy adjustments are required. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the full impact of the COVID- 19 outbreak on our business. As the result of the COVID- 19 pandemic and the related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations: • demand for products and services may decline, making it difficult to grow assets and income; • if the economy is unable to substantially recover, and high levels of unemployment exist for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; • collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase; • our allowance for credit losses may have to be increased if unemployment forecasts increase or borrowers experience financial difficulties, which will adversely affect our net income; • the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; • a material decrease in net income or a net loss over several quarters could result in a decrease in the rate of our quarterly cash dividend; • our wealth management revenues may decline with market turmoil; • our cyber security risks are increased as the result of an increase in the number of employees working remotely; and • we rely on third- party vendors for certain services and the unavailability of a critical service due to the COVID- 19 outbreak could have an adverse effect on us. These factors, among others, together or in combination with other events or occurrences not yet known or anticipated, could adversely affect our operations. In addition, other countries as well as the United States have experienced resurgences of the COVID- 19 virus, including in the form of the Delta and Omicron variants, and the BA. 4 and BA. 5 subvariants, and the length and severity of such resurgence in part depends on the speed and effectiveness of vaccine and treatment developments and their deployment, including public adoption rates of COVID- 19 vaccines and booster shots, and their effectiveness against emerging variants of COVID- 19. If the rate of infections rise, these factors will be exacerbated.~~ Deterioration in local economic conditions may negatively impact our financial performance. The Company' s success depends primarily on the general economic conditions in Eastern Massachusetts and New Hampshire and the specific local markets in which the Company operates. Unlike larger national or other regional banks that are more geographically diversified, the Company provides banking and financial services to clients primarily in Massachusetts and New Hampshire. The local economic conditions in these areas have a significant impact on the demand for the Company' s products and services as well as the ability of the Company' s clients to repay loans, the value of the collateral securing loans, and the stability of the Company' s deposit funding sources. A downturn in our local economy may limit funds available for deposit and may negatively affect our borrowers' ability to repay their loans on a timely basis, both of which could have an impact on our profitability **. Negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system. The high- profile bank failures involving First Republic Bank, Silicon Valley Bank and Signature Bank in 2023 have generated significant market volatility among publicly traded bank holding companies and, in particular, banks like the Company. These market developments have negatively impacted customer confidence in the safety and soundness of small and mid- size banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short- term fixed income securities, all of which could materially adversely impact the Company' s liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the Federal Deposit Insurance Corporation have made statements ensuring that depositors of these recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly** . Variations in interest rates may negatively affect our financial performance. The Company' s earnings and financial condition are largely dependent upon net interest income, which is the difference between interest earned from loans and investments and interest paid on deposits and borrowings. The narrowing of interest rate spreads could adversely affect the Company' s earnings and financial condition. The Company cannot predict with certainty, or control, changes in interest rates. Regional and local economic conditions and the policies of regulatory authorities, including monetary policies of the Federal Reserve, affect interest income and interest expense. Our net interest income and net interest margin may be negatively impacted during periods of rate tightening due to pressure on our funding costs, particularly if we are unable to realize higher rates on our assets at a pace that matches that of the funding. ~~High~~ **Rising** interest rates could also affect the amount of loans that the Company can originate because higher rates could cause clients to apply for fewer mortgages or cause depositors to shift funds from accounts that have a comparatively lower cost to accounts with a higher cost. The Company may also experience client attrition due to competitor pricing. If the cost of interest- bearing deposits increases at a rate greater than the yields on interest- earning assets increase, then net interest income will be negatively affected. Changes in the asset and liability mix may also affect net interest income. Similarly, lower interest rates cause higher yielding assets to prepay and floating or adjustable- rate assets to reset to lower rates. If the Company is not able to reduce its funding costs sufficiently, due to either competitive factors or the maturity schedule of existing liabilities, then the Company' s net interest margin will decline. Although management believes it has implemented effective asset and liability management strategies to mitigate the potential adverse effects of changes in interest rates on the Company' s results of operations, any substantial or unexpected change in, or prolonged change in market interest rates could have a material adverse effect on the Company' s financial condition and results of operations **. Rising interest rates have decreased the value of the Company' s held- to- maturity securities portfolio, and the Company would realize losses if it were required to sell such securities to meet liquidity needs. As a result of inflationary pressures and the resulting rapid increases in interest rates over the last two years, the trading value of previously issued government and other fixed income securities has declined significantly. These securities make up a majority of the securities portfolio of most banks in the U. S., including the Company' s, resulting in unrealized losses embedded in the held- to- maturity portion of U. S. banks' securities portfolios. While the Company does not currently intend to sell these securities, if the Company were required to sell such securities to meet liquidity needs, it may incur losses, which could impair the Company' s capital, financial condition, and results of operations and require the Company to raise additional capital on unfavorable terms, thereby negatively impacting its profitability. While the Company has taken actions to maximize its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs. Furthermore, while the Federal Reserve Board has announced a Bank Term Funding Program available to eligible depository institutions secured by U. S. treasuries, agency debt and mortgage- backed securities, and other qualifying assets as collateral at par, to mitigate the risk of potential losses on the sale of such instruments, there is no guarantee that such programs will be effective in addressing liquidity needs as they arise** . Changes in the economy or the financial markets could materially affect our financial performance. Downturns in the United States or global economies or financial markets could adversely affect the demand for and income received from the Company' s fee- based services. Revenues from the Wealth Management Group depend in large part on the level of assets under management and administration. Market volatility that leads clients to liquidate investments, as well as lower asset values, can reduce our level of assets under management and administration and thereby decrease our investment management and administration revenues. Our loan portfolio includes loans with a higher risk of loss. The Bank originates C & I loans, CRE loans, consumer loans, and residential mortgage loans primarily within our market area. Our lending strategy focuses on residential real estate lending, as well as servicing commercial clients, including increased emphasis on C & I lending, and commercial deposit relationships. C & I, CRE loans, and consumer loans may expose a lender to greater credit risk than loans secured by residential real estate because the collateral securing these loans may not be sold as easily as residential real estate. In addition, CRE and C & I loans may also involve relatively large loan balances to individual borrowers or groups of borrowers. These loans also have greater credit risk than residential real estate for the following reasons: • CRE Loans. Repayment is dependent on income being generated in amounts sufficient to cover operating expenses and debt service. • C & I Loans. Repayment is generally dependent upon the successful operation of the borrower' s business. • Consumer Loans. Consumer loans are collateralized, if at all, with assets that may fluctuate in value based on market conditions or changes in interest rates. Any downturn in the real estate market or local economy could adversely affect the value of the properties securing the loans or revenues from the borrowers' businesses thereby increasing the risk of non- performing loans. We may experience losses and expenses if security interests granted for loans are not enforceable. When the Company makes loans **,** it sometimes obtains liens, such as real estate mortgages or other asset pledges, to provide the Company with a security interest in collateral. If there is a loan default, the Company may seek to foreclose upon collateral and enforce the security interests to obtain repayment and eliminate or mitigate the Company' s loss. Drafting errors, recording errors, other defects or imperfections in the security interests granted to the Company and / or changes in law may render liens granted to the Company unenforceable. The Company may incur losses or expenses if security interests granted to the Company are not enforceable. If our allowance for credit losses is not sufficient to cover actual loan losses, then our earnings will decrease. The Bank' s loan clients may not repay their loans according to their terms and the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. The Bank therefore may experience significant credit losses, which could have a material adverse effect on our operating results. Material additions to our allowance for credit losses would materially decrease our net income, and the charge- off of loans may cause us to increase the allowance. The Bank makes various assumptions and judgments about the collectability of the loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. We rely on our loan quality reviews, our experience, and our evaluation of economic conditions, among other factors, in determining the amount of the allowance for credit losses. If our assumptions prove to be incorrect, our allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to our allowance. Strong competition within our industry and market area could hurt our performance and slow our growth. The Company operates in a competitive market for both attracting deposits, which is our primary source of funds, and originating loans. Historically, our most direct competition for deposits has come from savings and commercial banks. Our competition for loans comes principally from commercial banks, savings institutions, mortgage banking firms, credit unions, finance companies, mutual funds, insurance companies, and investment banking firms. We also face additional competition from internet- based institutions and brokerage firms. Competition for loan originations and deposits may limit our future growth and earnings prospects. The Company' s ability to compete successfully depends on a number of factors, including, among other things: • the ability to develop, maintain, and build upon long- term client relationships based on service quality, high ethical standards and reputation; • the ability to expand the Company' s market position; • the scope, relevance, and pricing of products and services offered to meet client needs and demands; • the rate at which the Company introduces new products, services, and technologies relative to its competitors; • client satisfaction with the Company' s level of service; • industry and general economic trends; and • the ability to attract and retain talented employees. Failure to perform in any of these areas could significantly weaken the Company' s competitive position, which could adversely affect the Company' s growth and profitability, which, in turn, could have a material adverse effect on the Company' s financial condition and results of operations. The Company' s earnings may not grow if we are unable to successfully attract core deposits and lending opportunities and execute opportunities to generate fee- based income. The Company has **historically** experienced growth, and our future business strategy is to continue to expand. Historically, the growth of our loans and deposits has been the principal factor in our increase in net- interest income. In the event that we are unable to execute our business strategy of continued growth in loans and deposits, our earnings could be adversely impacted. The Company' s ability to continue to grow depends, in part, upon our ability to expand our market share, to successfully attract core deposits and identify loan and investment opportunities, as well as opportunities to generate fee- based income. Our ability to manage growth successfully will also depend on whether we can continue to efficiently fund asset growth and maintain asset quality and cost controls, as well as on factors beyond our control, such as economic conditions and interest- rate trends. There are substantial risks and uncertainties associated with the introduction or expansion of lines of business or new products and services within existing lines of business. From time to time, the Company may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and / or new products and services, the Company may invest significant time and resources. 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 attainable. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and / or new product or service could have a significant impact on the effectiveness of the Company' s system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on the Company' s business, results of operations, and financial condition. The Company is subject to liquidity risk, which could adversely affect net interest income and earnings. The purpose of the Company' s liquidity management practices is to meet the cash flow obligations of its clients for both deposits and loans. One liquidity measurement the Company utilizes is called basic surplus, which captures the adequacy of the Company' s access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short- and long- term securities with the availability of dependable borrowing sources which can be accessed when necessary. However, competitive pressure on deposit pricing could result in a decrease in the Company' s deposit base or an increase in funding costs. In addition, liquidity will come under additional pressure if loan growth exceeds deposit growth. To manage this risk, the Company has the ability to borrow from the Federal Home Loan Bank (" FHLB ") of Boston, **the Federal Reserve Bank of Boston (" FRB of Boston "),** purchase brokered ~~deposit~~ **deposits** , borrow against established borrowing facilities with other banks (Federal funds), and enter into repurchase agreements with investment companies. Depending on the level of interest rates, the Company' s net interest income, and therefore earnings, could be adversely affected. Our ability to service our debt, pay dividends, and otherwise pay our obligations as they come due is substantially dependent on capital distributions from our subsidiary. The Company is a separate and distinct legal entity from its subsidiary, the Bank. It receives substantially all of its revenue from dividends from the Bank. These dividends are the principal source of funds to pay dividends on the Company' s common stock. Various federal and / or state laws and regulations limit the amount of dividends that the Bank may pay to the Company. Also, the Company' s right to participate in a distribution of assets upon a subsidiary' s liquidation or reorganization is subject to the prior claims of the subsidiary' s depositors and certain other creditors. In the event the Bank is unable to pay dividends to the Company, the Company may not be able to service debt, pay obligations, or pay dividends on the Company' s common stock. The inability to receive dividends from the Bank could have a material adverse effect on the Company' s business, financial condition, and results of operations. The Company depends on its executive officers and key personnel to continue the implementation of our long- term business strategy and could be harmed by the loss of their services. The Company believes that its continued growth and future success will depend in large part upon the skills of our management team. The competition for qualified personnel in the financial services industry is intense, and the loss of our key personnel, or an inability to continue to attract or retain and motivate key personnel could adversely affect our business. We cannot provide any assurance that we will be able to retain our existing key personnel, attract additional qualified personnel, or effectively manage the succession of key personnel. Although we have change of control agreements with our actively employed named executive officers, the loss of the services of one or more of our executive officers or key personnel could impair our ability to continue to develop our business strategy. The Company relies on third parties to provide key components of its business infrastructure. The Company relies on third parties to provide key components for its business operations, such as data processing and storage, recording and monitoring transactions, online banking interfaces and services, internet connections, and network access. While the Company selects these third- party vendors carefully, it does not control their actions. Any problems caused by these third parties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber- attacks and security breaches at a vendor, failure of a vendor to provide services for any reason, or poor performance of services by a vendor, could adversely affect the Company' s ability to deliver products and services to its clients and otherwise conduct its business. Financial or operational difficulties of a third- party vendor could also hurt the Company' s operations if those difficulties interfere with the vendor' s ability to serve the Company. Replacing these third- party vendors could create significant delays and expense that adversely affect the Company' s business and performance. The possibility of the economy' s return to recessionary conditions and the possibility of further turmoil or volatility in the financial markets would likely have an adverse effect on our business, financial position, and results of operations. The economy in the United States and globally has experienced volatility in recent years and may continue to experience such volatility for the foreseeable future. There can be no assurance that economic conditions will not worsen. Unfavorable or uncertain economic conditions can be caused by declines in economic growth, business activity, or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, ~~increases~~ **fluctuations** in inflation or interest rates, the timing and impact of changing governmental policies, natural disasters, climate change, epidemics / pandemics, such as COVID- 19, terrorist attacks, acts of war, or a combination of these or other factors. A worsening of business and economic conditions could have adverse effects on our business, including the following: • investors may have less confidence in the equity markets in general and in financial services industry stocks in particular, which could place downward pressure on the Company' s stock price and resulting market valuation; • economic and market developments may further affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates; • the Company' s ability to assess the creditworthiness of its clients may be impaired if the models and approaches the Company uses to select, manage, and underwrite its clients become less predictive of future behaviors; • the Company could suffer decreases in demand for loans or other financial products and services or decreased deposits or other investments in accounts with the Company; • clients of the Company' s Wealth Management Group may liquidate investments, which together with lower asset values, may reduce the level of assets under management and administration, and thereby decrease the Company' s investment management and administration revenues; • competition in the financial services industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions or otherwise; and • the value of loans and other assets or collateral securing loans may decrease. The Company may be adversely affected by the soundness of other financial institutions, including the FHLB of Boston. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company has exposure to different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market- wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated if the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. These circumstances could lead to impairments or write-downs in a bank' s securities portfolio and periodic gains or losses on other investments under mark- to- market accounting treatment. We could incur additional losses to our securities portfolio in the future as a result of these issues. There is no assurance that any such losses would not materially and adversely affect our business, financial condition, or results of operations. The Company owns common stock of the FHLB of Boston in order to qualify for membership in the FHLB system, which enables it to borrow funds under the FHLB of Boston' s advance program. The carrying value and fair market value of our FHLB of Boston common stock was $ ~~6~~ **19** . ~~3~~ **1** million as of December 31, ~~2022~~ **2023** . There are 11 branches of the FHLB, including Boston, which are jointly liable for the consolidated obligations of the FHLB system. To the extent that one FHLB branch cannot meet its obligations to pay its share of the system' s debt, other FHLB branches can be called upon to make the payment. Any adverse effects within the FHLB of Boston could adversely affect the value of our investment in its common stock and our ability to rely on the FHLB as a funding source and this could negatively impact our results of operations. Risks Related to an Investment in the Company' s Securities The Company' s common stock price may fluctuate significantly. The market price of the Company' s common stock may fluctuate significantly in response to a number of factors including, but not limited to: • the political climate and whether the proposed policies of the current presidential administration in the U. S. that have affected market prices for financial institution stocks are successfully implemented; • changes in securities analysts' recommendations or expectations of financial performance; • volatility of stock market prices and volumes; • incorrect information or speculation; • changes in industry valuations; • announcements regarding proposed acquisitions; • variations in operating results from general expectations; • actions taken against the Company by various regulatory agencies; • changes in authoritative accounting guidance; • changes in general domestic economic conditions such as inflation rates, tax rates, unemployment rates, labor and healthcare cost trend rates, recessions, and changing government policies, laws, and regulations; and • severe weather, natural disasters, climate change, epidemics / pandemics such as COVID- 19, acts of war or terrorism, and other external events. Future issuance of our common stock may have a dilutive effect and may reduce the voting power and relative percentage interests of current common shareholders in our earnings and market value, and there may be future sales or other dilution of the Company' s equity, which may adversely affect the market price of the Company' s stock. Future issuances of shares of our common stock, including for acquisitions, may have a dilutive effect and may reduce the voting power and relative percentage interests of current common shareholders in our earnings and market value. Additionally, the Company is not restricted from issuing additional common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The Company also grants shares of common stock to employees and directors under the Company' s incentive plan each year. The issuance of any additional shares of the Company' s common stock or securities convertible into, exchangeable for or that represent the right to receive common stock, or the exercise of such securities could be substantially dilutive to shareholders of the Company' s common stock. Holders of the Company' s common stock have no preemptive rights that entitle such holders to purchase their pro rata share of any offering of shares or any class or series. Because the Company' s decision to issue securities in any future offering will depend on market conditions, its acquisition activity and other factors, the Company cannot predict or estimate the amount, timing, or nature of its future offerings. Thus, the Company' s shareholders bear the risk of the Company' s future offerings reducing the market price of the Company' s common stock and diluting their stock holdings in the Company. Risks Related to Legal, Governmental and Regulatory Changes The Company is subject to extensive government regulation and supervision, which may interfere with its ability to conduct its business and may negatively impact its financial results. The Company, primarily through the Bank, Cambridge Trust Company of New Hampshire, Inc., and certain non- bank subsidiaries, are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, the DIF and the safety and soundness of the banking system as a whole, not shareholders. These laws and regulations affect the Company' s lending practices, capital structure, investment practices, dividend policy, and growth, among other things. The U. S. Congress and federal and state banking agencies continually review banking laws, regulations, and policies for possible changes. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products the Company may offer, and / or limit the pricing the Company may charge on certain banking services, among other things. Compliance personnel and resources may increase our costs of operations and adversely impact our earnings. Failure to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil money penalties, and / or reputation damage, which could have a material adverse effect on our business, financial condition, and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. State and federal banking agencies periodically conduct examinations of our business, including for compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject as a result of such examinations may adversely affect our business. Federal and state regulatory agencies periodically conduct examinations of our business, including our compliance with laws and regulations. If, as a result of an examination, an agency were to determine that the financial, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of any of our operations had become unsatisfactory or violates any law or regulation, such agency may take certain remedial or enforcement actions it deems appropriate to correct any deficiency. Remedial or enforcement actions include the power to enjoin " unsafe or unsound " practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced against a bank, to direct an increase in the bank' s capital, to restrict the bank' s growth, to assess civil monetary penalties against a bank' s officers or directors, and to remove officers and directors. In the event that the FDIC concludes that, among other things, our financial condition cannot be corrected or that there is an imminent risk of loss to our depositors, it may terminate our deposit insurance. The CFPB also has authority to take enforcement actions, including cease- and desist orders or civil monetary penalties, if it finds that we offer consumer financial products and services in violation of federal consumer financial protection laws. **The Company also anticipates increased regulatory scrutiny – in the course of routine examinations and otherwise – and new regulations directed towards banks of similar size to the Bank, designed to address negative developments in the banking industry, including the high- profile bank failures involving First Republic Bank, Silicon Valley Bank and Signature Bank in 2023, all of which may increase the Company' s costs of doing business and reduce its profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition and the level of uninsured deposits. Due to the composition of the Bank' s deposits and percentage of uninsured deposits, the Bank could face increased scrutiny.** If we are unable to comply with future regulatory directives, or with the terms of any future supervisory requirements to which we may become subject, then we could become subject to a variety of supervisory actions and orders, including cease and desist orders, PCA, memoranda of understanding, and other regulatory enforcement actions. Such supervisory actions could, among other things, impose greater restrictions on our business, as well as our ability to develop any new business. The Company could also be required to raise additional capital or dispose of certain assets and liabilities within a prescribed time period, or both. Failure to implement remedial measures as required by financial regulatory agencies could result in additional orders or penalties from federal and state regulators, which could trigger one or more of the remedial actions described above. The terms of any supervisory action and associated consequences with any failure to comply with any supervisory action could have a material negative effect on our business, operating flexibility, and overall financial condition. The Company may be subject to more stringent capital requirements. The Bank and the Company are each subject to capital adequacy guidelines and other regulatory requirements specifying minimum amounts and types of capital which each of the Bank and the Company must maintain. From time to time, the regulators implement changes to these regulatory capital adequacy guidelines. If we fail to meet these minimum capital guidelines and other regulatory requirements, then our financial condition would be materially and adversely affected. Any changes to regulatory capital requirements could adversely affect our ability to pay dividends or could require us to reduce business levels or to raise capital, including in ways that may adversely affect our financial condition or results of operations. ~~Replacement of the LIBOR benchmark interest rate could adversely affect our business, financial condition, and results of operations. In 2017, the United Kingdom' s Financial Conduct Authority (" FCA "), which regulates the London Interbank Offered Rate (" LIBOR "), announced that the FCA intends to stop persuading or compelling banks to submit the rates required to calculate LIBOR after 2021. This announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The U. S. bank regulators issued a Statement on LIBOR Transition on November 30, 2020 encouraging banks to transition away from U. S. Dollar (USD) LIBOR as soon as practicable and in any event by December 31, 2021 for new contracts. LIBOR is currently anticipated to be fully phased out by June 30, 2023. At this time, it is not possible to predict whether and to what extent banks will continue to provide submissions for the calculation of LIBOR. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR or what the effect of any such changes in views or alternatives may be on the markets for LIBOR- indexed financial instruments. The Alternative Reference Rates Committee (" ARRC ") formed by the FRB has proposed a paced market transition plan to Secured Overnight~~

~~Financing Rate (SOFR) from LIBOR and organizations are continuing to work on industry wide and company- specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. The Company is monitoring this activity and evaluating the related risks. This includes identifying outstanding LIBOR- based loans without ARRC recommended fallback language, internal training and education, and working with our core provider to ensure proper integration once an alternative reference is implemented. Management is monitoring ARRC publications for best practices as the Company transitions legacy LIBOR loans by the June 30, 2023 deadline. We have financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR, or any changes or reforms to the determination or supervision of LIBOR, could have an adverse impact on the market for or value of any LIBOR- linked securities, loans, and other financial obligations or extensions of credit held by or due to us, could create considerable costs and additional risk and could have an adverse impact on or overall financial condition or results of operations. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. In 2021, we adopted Accounting Standards Update (" ASU ") 2020- 04- Facilitation of the Effects of Reference Rate Reform on Financial Reporting (" ASU 2020- 04 "). See Note 3 – Recently Issued and Adopted Accounting Standards for additional details. The transition from LIBOR will change our market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with our clients could adversely impact our reputation. Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition, and results of operations.~~
Accounting standards periodically change and the application of our accounting policies and methods may require management to make estimates about matters that are uncertain. The regulatory bodies that establish accounting standards, including, among others, the FASB, and the SEC, periodically revise or issue new financial accounting and reporting standards that govern the preparation of our consolidated financial statements. The effect of such revised or new standards on our financial statements can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In addition, management must exercise judgment in appropriately applying many of our accounting policies and methods , so they comply with generally accepted accounting principles. In some cases, management may have to select a particular accounting policy or method from two or more alternatives. In some cases, the accounting policy or method chosen might be reasonable under the circumstances and yet might result in our reporting materially different amounts than would have been reported if we had selected a different policy or method. Accounting policies are critical to fairly presenting our financial condition and results of operations and may require management to make difficult, subjective, or complex judgments about matters that are uncertain. Our controls and procedures may fail or be circumvented, which may result in a material adverse effect on our business. Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to could have a material adverse effect on our business, results of operations and financial condition. Legal proceedings to which we are subject or may become subject may have a material adverse impact on our financial position and results of operations. Like many banks and other financial services organizations in our industry, we are from time to time involved in various legal proceedings and subject to claims and other actions related to our business activities brought by clients, employees, and others. All such legal proceedings are inherently unpredictable and, regardless of the merits of the claims, litigation is often expensive, time- consuming, disruptive to our operations and resources, and distracting to management. If resolved against us, such legal proceedings could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business. Similarly, if we settle such legal proceedings, it may affect our financial condition and how we operate our business. Future court decisions, alternative dispute resolution awards, matters arising due to business expansion, or legislative activity may increase our exposure to litigation and regulatory investigations. In some cases, substantial non- economic remedies or punitive damages may be sought. Although we maintain liability insurance coverage, there can be no assurance that such coverage will cover any particular verdict, judgment, or settlement that may be entered against us, that such coverage will prove to be adequate, or that such coverage will continue to remain available on acceptable terms, if at all. Legal proceedings to which we are subject or may become subject may have a material adverse impact on our financial position and results of operations. The Company is exposed to risk of environmental liabilities with respect to properties to which we obtain title. A significant portion of our loan portfolio is secured by real estate. In the course of our business, we may foreclose and take title to real estate and could be subject to environmental liabilities with respect to these properties. The Company may be held liable to a government entity or to third parties for property damage, personal injury, investigation, and clean- up costs incurred by these parties in connection with environmental contamination or may be required to clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation and remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect our business, results of operations, and prospects. Risks Related to Cybersecurity and Data Privacy A breach of information security, including cyber- attacks, could disrupt our business and impact our earnings. The Company depends upon data processing, communication, and information exchange on a variety of computing platforms and networks and over the internet. In addition, we rely on the services of a variety of vendors to meet our data processing and communication needs. Despite existing safeguards, we cannot be certain that all of our systems are free from vulnerability to attack or other technological difficulties or failures. During the normal course of our business, we have experienced and we expect to continue to experience attempts to breach our systems, none of which has been material to the Company to date, and we may be unable to protect sensitive data and the integrity of our systems. If information security is breached or difficulties or failures occur, despite

the controls we and our third- party vendors have instituted, information can be lost or misappropriated, resulting in financial loss or costs to us, reputational harm, or damages to others. Such costs or losses could exceed the amount of insurance coverage, if any, which would adversely affect our earnings. The Company may be adversely affected by fraud. The Company is inherently exposed to operational risk in the form of theft and other fraudulent activity by employees, clients, and other third parties targeting the Company and / or the Company' s clients or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering, and other dishonest acts. During the normal course of our business, we have been subjected to and we expect to continue to be subject to theft and fraudulent activity, none of which has been material to the Company to date. The Company continually encounters technological change and the failure to understand and adapt to these changes could hurt its business. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve clients and to reduce costs. The Company' s future success depends, in part, upon its ability to address the needs of its clients by using technology to provide products and services that will satisfy client demands, as well as to create additional efficiencies in the Company' s operations. Many of the Company' s competitors have substantially greater resources to invest in technological improvements. The Company may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to its clients. Failure to successfully keep pace with technological changes affecting the financial services industry could have a material adverse impact on the Company' s business and, in turn, the Company' s financial condition and results of operations. Risks Related to **the Eastern Merger The pendency of the Eastern Merger could adversely affect our business, results of operations and financial condition. The pendency of the Eastern Merger could cause disruptions in and create uncertainty surrounding our business, including affecting our relationships with our existing and future customers, suppliers and employees, which could have an adverse effect on our business, results of operations and financial condition, regardless of whether the proposed Eastern Merger is completed. In particular, we could potentially lose additional important personnel as a result of the departure of employees who decide to pursue other opportunities in light of the Eastern Merger. We could also potentially lose additional customers or suppliers, and new customer or supplier contracts could be delayed or decreased. In addition, we have allocated, and will continue to allocate, significant management resources towards the completion of the transaction, which could adversely affect our business and results of operations. We are subject to restrictions on the conduct of our business prior to the consummation of the Eastern Merger as provided in the Merger Agreement, including, among other things, certain restrictions on our ability to acquire other businesses, sell or transfer our assets, and amend our organizational documents. These restrictions could result in our inability to respond effectively to competitive pressures, industry developments and future opportunities, retain key employees and may otherwise harm our business, results of operations and financial condition. Because the price of Eastern Common Stock will fluctuate, our shareholders cannot be certain of the market value of the Merger Consideration. Upon completion of the Eastern Merger, each share of our common stock will be converted into the right to receive 4. 956 shares of Eastern Common Stock. The dollar value of the Eastern Common Stock that our shareholders will receive upon completion of the Eastern Merger will depend upon the market value of Eastern Common Stock at the time of completion of the Eastern Merger, which may be lower or higher than the closing price of Eastern Common Stock on the last full trading day preceding the date the Merger Agreement was executed. The market values of Eastern Common Stock and our common stock have varied since we entered into the Merger Agreement and will continue to vary in the future due to changes in the business, operations or prospects of us and Eastern, market assessments of the Eastern Merger, regulatory considerations, market and economic considerations, and other factors, most of which are beyond our control. The Eastern Merger is subject to the receipt of consents and approvals from governmental authorities that may delay the date of completion of the Eastern Merger or impose conditions that could have an adverse effect on the Company. Before the Eastern Merger may be completed, various consents, approvals, waiver or non-objections must be obtained from state and federal governmental authorities, including the Board of Governors of the Federal Reserve System, the FDIC, the Massachusetts Commissioner of Banks, the Massachusetts Housing Partnership, and the New Hampshire Banking Department. Satisfying the requirements of these governmental authorities may delay the date of completion of the Eastern Merger. In addition, these governmental authorities may include conditions on the completion of the Eastern Merger, or require changes to the terms of the Eastern Merger. The parties are not obligated to complete the Eastern Merger should any regulatory approval contain any prohibition, limitation or other requirement that Eastern' s board of directors reasonably determines in good faith would, individually or in the aggregate, materially reduce the benefits of the Eastern Merger to such a degree that Eastern would not have entered into the Merger Agreement had such condition, restriction or requirement been known at the date of the Merger Agreement. Failure to complete the Eastern Merger could negatively impact the stock price of the Company and future businesses and financial results of the Company. If the Eastern Merger is not completed, the ongoing businesses, financial condition and results of operation of the Company may be adversely affected and market prices of the Company' s common stock may decline significantly, particularly to the extent that the current market prices reflect a market assumption that the Eastern Merger will be consummated. If the consummation of the Eastern Merger is delayed, including by the receipt of a competing acquisition proposal, the Company' s business, financial condition and results of operations may be materially adversely affected. In addition, the Company has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the Merger Agreement, as well as the costs and expenses of filing, printing and mailing the joint proxy statement / prospectus and all filing and other fees paid to the SEC and other regulatory agencies in connection with the Eastern Merger. If the Eastern Merger is not completed, the Company would have to recognize these expenses without realizing the expected benefits of the Eastern Merger. Any of**

the foregoing, or other risks arising in connection with the failure of or delay in consummating the Eastern Merger, including the diversion of management attention from pursuing other opportunities and the constraints in the Merger Agreement on the ability to make significant changes to the Company' s ongoing business during the pendency of the Eastern Merger, could have a material adverse effect on the Company' s businesses, financial conditions and results of operations. Additionally, the Company' s business may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Eastern Merger, without realizing any of the anticipated benefits of completing the Eastern Merger. If the Merger Agreement is terminated and the Company' s board of directors seeks another merger or business combination, the Company' s shareholders cannot be certain that the Company will be able to find a party willing to engage in a transaction on more attractive terms than the Eastern Merger. Eastern may be unable to successfully integrate our operations or otherwise realize the expected benefits from the Eastern Merger, which could adversely affect Eastern' s results of operations and financial condition. The Eastern Merger involves the integration of two companies that have previously operated independently. The difficulties of combining the operations of the two companies include: • integrating personnel with diverse business backgrounds; • converting customers to new systems; • combining different corporate cultures; and • retaining key employees. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the business and the loss of key personnel. The integration of the two companies will require the experience and expertise of certain of our key employees who are expected to be retained by Eastern. Eastern may not be successful in retaining these employees for the time period necessary to successfully integrate our operations with those of Eastern. The diversion of management' s attention and any delay or difficulty encountered in connection with the Eastern Merger and the integration of the two companies' operations could have an adverse effect on the business and results of operations of Eastern following the Eastern Merger. The success of the Eastern Merger will depend, in part, on Eastern' s ability to realize the anticipated benefits and cost savings from combining the Company' s business with Eastern' s. If Eastern is unable to successfully integrate the Company, the anticipated benefits and cost savings of the Eastern Merger may not be realized fully or may take longer to realize than expected. For example, Eastern may fail to realize the anticipated increase in earnings and cost savings anticipated to be derived from the Eastern Merger. In addition, as with regard to any merger, a significant decline in asset valuations or cash flows may also cause Eastern not to realize expected benefits. The Company' s shareholders will not be entitled to dissenters' or appraisal rights in the Eastern Merger. Dissenters' or appraisal rights are statutory rights that, if applicable under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Under the Massachusetts Business Corporation Act, holders of Company common stock will not be entitled to dissenters' or appraisal rights in the Eastern Merger with respect to their shares of Company common stock. Risks Related to Acquisitions The risks presented by acquisitions, such as the ~~recently completed~~ Northmark ~~and Wellesley Mergers~~ - **Merger** , could adversely affect our financial condition and results of operations. The business strategy of the Company may include growth through acquisitions such as the ~~recently completed~~ Northmark Merger. Any such future acquisitions will be accompanied by the risks commonly encountered in acquisitions. These risks may include, among other things: • our ability to realize anticipated cost savings; • the difficulty of integrating operations and personnel, and the loss of key employees; • the potential disruption of our or the acquired company' s ongoing business in such a way that could result in decreased revenues, the inability of our management to maximize our financial and strategic position; • the inability to maintain uniform standards, controls, procedures, and policies; and • the impairment of relationships with the acquired company' s employees and clients as a result of changes in ownership and management. The Company cannot provide any assurance that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions. Our inability to overcome these risks could have an adverse effect on the achievement of our business strategy and results of operations. The **ongoing** integration of the Company and Northmark will present significant challenges that may result in the combined business not operating as effectively as expected or in the failure to achieve some or all of the anticipated benefits of the transaction. The benefits and synergies expected to result from the Northmark Merger will depend in part on whether the operations of Northmark can be integrated in a timely and efficient manner with those of the Company. The Company will face challenges in consolidating its functions with those of Northmark, and integrating the organizations, procedures, and operations of the two businesses. The integration of the Company and Northmark will be complex and time- consuming, and the management teams of both companies will have to dedicate substantial time and resources to it. These efforts could divert management' s focus and resources from serving existing clients or other strategic opportunities and from day- to- day operational matters during the integration process. Failure to successfully integrate operations of the Company and Northmark could result in the failure to achieve some of the anticipated benefits from the transaction, including cost savings and other operating efficiencies, and the Company may not be able to capitalize on the existing relationships of Northmark to the extent anticipated, or it may take longer, or be more difficult or expensive than expected to achieve these goals. This could have an adverse effect on the business, results of operations, financial condition, or prospects of the Company and / or the Bank after the transaction. Unanticipated costs relating to the Northmark Merger could reduce the Company' s future earnings per share. The Company and the Bank believe that each has reasonably estimated the likely costs of integrating the operations of the Bank and Northmark, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, could have a material adverse effect on the results of operations and financial condition of the combined company. If unexpected costs are incurred, the Northmark Merger could have a dilutive effect on the Company' s earnings per share. In other words, after the completion of the Northmark Merger, the earnings per share of the Company' s common stock could be less than anticipated or even less than if the Northmark Merger had not been completed. ~~Following the Northmark Merger, the Company may not continue to pay dividends at or above the rate currently paid by the Company. Following the Northmark Merger, the Company' s shareholders may not receive dividends at the same rate that they did prior to the merger for various reasons, including the following: • the Company may not have enough cash to pay such dividends due to changes in its cash requirements, capital spending plans, cash flow or financial position; • decisions on whether, when and in what amounts to make any future dividends will remain at all times entirely at the discretion of the Board, which reserves the right to change the Company' s dividend practices at any time and for any reason; and • the amount of dividends that the Company' s subsidiaries may distribute to the Company may be subject to restrictions imposed by state law and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur. The Company' s shareholders will have no contractual or other legal right to dividends that have not been declared by the Board.~~ General Risks Natural disasters, climate change, acts of war or terrorism, the impact of health epidemics and other adverse external events could detrimentally affect our financial condition and results of operations. Natural disasters, climate change, acts of war or terrorism **, such as the ongoing Russia- Ukraine war and Israel- Hamas war, health epidemics such as COVID- 19** , and other adverse external events could have a significant negative impact on our ability to conduct business or upon third parties who perform operational services for us or our clients. Such events also could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in lost revenue or cause us to incur additional expenses. ~~The COVID- 19 outbreak could negatively impact the ability of our employees and clients to engage in banking and other financial transactions in the geographic areas in which the Company operates. The Company also could be adversely affected if key personnel or a significant number of employees were to become unavailable due to a COVID- 19 outbreak in our market areas. Although the Company has business continuity plans and other safeguards in place, there is no assurance that such plans and safeguards will be effective.~~ In the event of a natural disaster, the spread of COVID- 19 to our market areas or other adverse external events, our business, services, asset quality, financial condition and results of operations could be adversely affected. ~~The effects of widespread public health emergencies may negatively affect our local economies or disrupt our operations, which would have an adverse effect on our business or results of operations. Widespread health emergencies, such as the COVID- 19 outbreak, can disrupt our operations through their impact on our employees, clients and their businesses, and the communities in which we operate. Disruptions to our clients could result in increased risk of delinquencies, defaults, foreclosures, and losses on our loans, negatively impact regional economic conditions, result in a decline in local loan demand, loan originations and deposit availability and negatively impact the implementation of our growth strategy. Any one or more of these developments could have a material adverse effect on our business, financial condition, and results of operations.~~