Risk Factors Comparison 2024-02-29 to 2023-03-01 Form: 10-K

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

An investment in our securities involves risks. Before making an investment decision, you should carefully read and consider the risk factors described below as well as the other information included in this report and other documents we file with the SEC, as the same may be updated from time to time. Any of these risks, if they actually occur, could materially adversely affect our business, financial condition, and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect us. In any such case, you could lose all or a portion of your original investment. RISKS RELATED TO OUR BUSINESS AND ECONOMIC CONDITIONS Our business and results of operations may be adversely affected by the financial markets, fiscal, monetary, and regulatory policies and economic conditions. These factors could have a material adverse effect on our earnings, net interest margin, ~~rate of growth,~~ financial condition **, rate of growth, liquidity levels,** and stock price. General economic, political, social and health conditions affect **financial** markets **,** and **therefore,** our business. ~~In particular~~ **Fiscal and monetary policies have a direct and indirect impact on the level and volatility of interest rates** , **liquidity of financial** markets, **the availability** and ~~therefore our business~~ **cost of capital** , ~~may be~~ **and market conditions of financing. As the economy has experienced higher levels of inflation, interest rates have increased due to central banks' efforts to manage inflation through monetary policy. Financial markets and the banking industry are** affected by ~~the level~~ **economic growth** and **its sustainability. Changes in economic growth may result in** ~~volatility of interest rates, availability and market conditions of financing,~~ unexpected changes in gross domestic product (" GDP"), **fluctuations or other significant changes in both debt and equity capital markets and currencies, liquidity of financial markets and the availability and cost of capital and credit. Potential federal government shutdowns, and developments related to the U. S. federal debt ceiling may also have an** economic ~~growth~~ **impact. Increased market volatility and changes in financial** or ~~its sustainability~~ **capital market conditions may be further impacted by energy prices** , **commercial property values, residential property values, consumer spending, bankruptcies, employment levels, labor shortages, wage** inflation, **and** supply chain disruptions ~~, consumer spending, employment levels, labor shortages, wage inflation, federal government shutdowns, developments related to the U~~ . ~~S. federal debt ceiling, energy prices, home prices,~~ **A significant portion of our loan portfolio consists of loans secured by** commercial ~~property~~ **properties** ~~values~~ , ~~bankruptcies, fluctuations or other~~ -- **the adverse performance** ~~significant changes in both debt and equity capital markets and currencies, liquidity~~ of ~~financial markets and~~ **which could impact** the ~~availability and cost of capital and~~ credit ~~. Market fluctuations may~~ **quality of the loan portfolio and result in a negative** impact **to** ~~our margin requirements and affect our business liquidity. Also, any sudden or~~ **our** ~~prolonged market downturn, as a result of the above factors or otherwise, could result in a decline in net interest income and noninterest income and adversely affect our results of operations and~~ financial condition **or results of operations. Economic weaknesses** , ~~including~~ **sustained elevated inflation, challenging business conditions, the implementation of hybrid work arrangements and other changes in business operating practices, market disruptions, adverse economic or market events, rising interest or capitalization rates, declining** asset ~~quality~~ **prices** , **greater volatility in areas where we** ~~capital and liquidity levels. • Macroeconomic effects of COVID- 19. Although many health and safety restrictions~~ have ~~been lifted~~ **concentrated credit risk or deterioration in real estate values or household incomes may cause us to experience a decrease in cash flow** and ~~vaccine distribution has increased,~~ **higher credit losses in our portfolios or cause us to write down the value of** certain ~~adverse consequences of the pandemic continue to impact the macroeconomic environment and may continue to persist. The growth in economic activity and demand for goods and services, alongside labor shortages and supply chain complications and / or disruptions, has also contributed to rising inflationary pressures. The final outcome and / or potential duration of the economic disruption that resulted from the onset and subsequent recovery from COVID- 19 remains uncertain at this time as the financial markets continue to be impacted. • Interest Rate Risk. Our net interest income, lending activities, deposits and profitability have been, and could continue to be, negatively affected by volatility in interest rates caused by uncertainties stemming from global economic conditions, especially as certain adverse consequences of the pandemic continue to impact the macroeconomic environment. In March 2020, the Federal Reserve lowered the target range for the federal funds rate to a range from 0 to 0. 25 percent in response to the pandemic. The federal funds rate remained in this range for all of 2021. After a period of low interestrates, the federal funds rate was increased rapidly to 4. 25 %- 4. 50 % at the end of 2022. A prolonged period of extremely volatile and unstable market conditions could increase our funding costs and negatively affect market risk mitigation strategies. Higher income volatility from changes in interest rates and spreads to benchmark indices could cause a loss of future net interest income and a decrease in current fair market values of our~~ assets ~~. Fluctuations in interest rates will impact both the level of income and expense recorded on most of our assets and liabilities and the market value of all interest- earning assets and interest- bearing liabilities, which in turn could have a material adverse effect on our net income, operating results or financial condition. • Loan Credit Quality~~ . Certain adverse consequences of the pandemic **, including lower office occupancy rates,** continue to materially affect the businesses of certain segments of our customer ~~bases~~ - **base** and of their customers, which impacts their creditworthiness, their ability to pay amounts owed to us and our ability to collect those amounts. ~~Our~~ **We may also experience continued and long- term negative impacts to our commercial credit** exposure **and** ~~to the Accommodation and~~ - **an** ~~Food Service~~ **increase in credit losses within those** ~~industry~~ **industries , such** ~~represented 6 % of our loan portfolio~~ as **commercial** ~~of December 31, 2022, and the Retail Trade industry represented 1 % of our loan portfolio as of December 31, 2022. Although the economy has shown signs of improvement in 2022, these industries may have a longer recovery period than others. A decline in home sales and mortgage refinance volumes~~

~~led to a lower level of gains from residential mortgage loans for the year ended December 31, 2022, and such volumes and performance may remain diminished, especially if interest rates continue to remain high or increase further in 2023. Economic conditions may likely result in a continued material deterioration in~~ real estate ~~values and home sales volumes~~ , ~~and an increase~~ **that may be impacted by changes** in **consumer preferences** ~~tenants failing to make~~ or ~~deferring rent payments~~ **office occupancy rates** . A large portion of our loan portfolio is related to real estate, with ~~79~~ **80** % consisting of commercial real estate and real estate construction secured by commercial real estate. As a result of actual or expected credit losses, we may downgrade loans, increase our allowance for loan losses and write down or charge off credit relationships, any of which would negatively impact our results of operations. In addition, market upheavals are likely to affect the value of real estate and commercial assets. As a result, in the event of foreclosure, it is ~~unlikely~~ **possible** that we will be ~~able~~ **unable** to sell the foreclosed property at a price that will allow us to recoup a significant portion of the delinquent loan. ~~• Allowance~~ **A significant number of our commercial real estate loans are secured by office properties. The COVID- 19 pandemic has led to significant changes in working arrangements that have impacted and could continue to impact the performance of some of the office properties within our commercial real estate portfolio. Hybrid work arrangements, flexible work schedules, open workplaces and teleconferencing have become increasingly common. These practices enable businesses to reduce their office space requirements. A continuation of the movement towards these practices over time could continue to erode the overall demand** for **office space and, in turn, place downward pressure on occupancy, rental rates and property valuations, each of which could have an adverse effect on our borrowers, the office properties securing their loans, and our ability to collect the amounts owed to us. Our calculation of our ACL relies on estimates and assumptions, resulting in the risk that our calculated ACL may not cover actual future** ~~Credit~~ **credit** ~~Losses~~ **losses , which could result in an adverse effect on our business, financial condition, and results of operations** . We use a credit reserving methodology known as the ~~Current Expected Credit Losses ("~~ CECL ~~")~~ methodology **. The provision for credit losses represents management' s estimate of expected credit losses on our portfolio and is recorded in the ACL on our loan portfolio. Management utilizes a variety of inputs in the calculation of its estimate, including historical losses based on internal and peer data, economic conditions and trends, the value and adequacy of collateral, volume and mix of the portfolio, performance of the portfolio, and our internal loan processes. Our use of third- party service provider provided historical loss data in the calculation of our CECL provision may not approximate our own historical loss data** . Our ability to accurately forecast future losses under this methodology may be impaired by significant uncertainties **: • Uncertainties** surrounding **rapid increases in inflation** ~~the disruption resulting from the COVID- 19 pandemic~~ and **interest rates** ~~the lack of a comparable precedent and~~ , **which have disrupted** ~~more specifically, the disruption of the~~ financial markets ~~as~~ **and adversely affected commercial real estate and other sectors in** ~~they~~ - **the** ~~continue~~ **economy. • Uncertainties related** to **the identification of the appropriate economic indicators. • Uncertainties related to the data utilized to build models and draw assumptions. • Uncertainties and limitations related to the different sources of data: internal data, peer data, market data, macroeconomic data, geopolitical data, etc. • Uncertainties related to the need to make difficult and complex judgments that are often interrelated. Additionally, the condition of our loan portfolio' s credit quality is factored into the calculation of our CECL estimate. Our ability to accurately forecast and react to future losses may** be ~~affected~~ **impaired** by **significant uncertainties which could result** ~~market risks such as the volatility~~ in ~~interest rates. For the twelve months ended December 31, 2022, we decreased the ACL by $ 521 thousand, through adjustments net of charge- offs as the economy showed signs of recovery from the COVID- 19 pandemic due to the wide availability of vaccines and other treatments. As the COVID- 19 pandemic continues to evolve, or as our~~ loan ~~balances increase, we may need to record increases to the provision for credit~~ losses ~~in the future. Our losses on our loans~~ and other exposures **which** could exceed our allowance. ~~•~~ **Furthermore, if the models, estimates and assumptions we use to establish reserves or the judgments we make in extending credit to our borrowers prove inaccurate in predicting future events, the result may also be losses in excess of our CECL provision. As economic conditions change, we may have to increase our allowance, which could adversely affect our results of operations, earnings, and financial condition. We are subject to** ~~Operational~~ **operational risks in connection with our employees and our technology that may adversely impact our business.** Risk ~~. Restrictions on our workforce' s access~~ to ~~our facilities, due to risks over a resurgence of the COVID- 19 contagion, could limit our ability to meet customer servicing expectations and have a material adverse effect on~~ our operations **is inherent in our business** . We rely on business processes and branch activity that largely depend on people and technology, including access to information technology systems as well as information, applications, payment systems and other services provided by third parties. **Operational risks that** ~~In 2022, the Bank operated primarily under a hybrid work model in which certain employees split time between working at the office and working remotely. In response to COVID- 19 developments, we~~ may have ~~to alternate between a hybrid work model and~~ - **an adverse effect on** ~~a work from home model due to new and more virulent variants. Transitioning back and forth between a hybrid work model and a work from home model may increase~~ our ~~operational~~ **operations** ~~risks and introduce additional operational risks~~ , ~~including~~ **include** (i) risks related to our work productivity; (ii) increased spending on our business continuity efforts; (iii) increased strain on certain risk management practices, including, but not limited to, the effectiveness and accuracy of our models, given the potential lack of data inputs and comparable precedent; (iv) risks related to the effectiveness of our anti- money laundering and other compliance programs; (v) increased cybersecurity risk **due to the current hybrid work model in which certain employees split time between working at the office and working remotely** , ~~particularly~~ as **a result of the** technology in **the** employees ~~'~~ **'** homes **which** may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than in our offices **; and (vi) risks related to our efforts to provide banking services through digital channels** . Increased cyber risks in this context may include greater phishing, malware, and other cybersecurity attacks, vulnerability to disruptions of our information technology infrastructure and telecommunications systems for remote operations, increased risk of unauthorized dissemination of confidential information, limited ability to restore the systems in the event of a systems failure or interruption, greater risk of a security breach resulting in destruction or misuse of ~~valuable~~ **sensitive, confidential, personal or proprietary** information and potential impairment of our ability to perform critical functions, including wiring funds, all of which could expose us to risks of data or financial loss, litigation and liability and could seriously disrupt our operations and the operations of any impacted customers. The Company may also experience an increase in attempts at fraudulent activity, such as check fraud, as nefarious individuals try to exploit the **weaknesses under** ~~dislocations caused by~~ the ~~pandemic~~ **current hybrid working environment** . ~~•~~ **Our reliance on** ~~External~~ **external** ~~Vendors and Service~~ **service** ~~Providers~~ **providers exposes us to operational risk in connection with labor shortages, supply chain disruptions and other factors that could adversely impact our business** . We rely on many outside service providers that support our day- to- day operations including data processing and electronic communications, real estate appraisal, loan servicers and local and federal government agencies, offices and courthouses. In light of labor shortages and supply chain disruptions, many of these entities may limit the availability and access of their services, which may impact our business. For example, a loan origination could be delayed due to the limited availability of real estate appraisers to evaluate the collateral. Loan closings could be delayed related to reductions in available staff in recording offices or the closing of courthouses, which slows the process for title work and mortgage and UCC filings. If the third- party service providers continue to have limited capacities for a prolonged period or if additional limitations or potential disruptions in these services materialize, it may negatively affect our operations. ~~• Strategic~~ **Our inability to generate liquidity in a timely manner may adversely impact our ability to satisfy obligations associated with our financing, our operations and other components of our business. Timely access to liquidity is essential to our business, and being able to meet obligations as they come due and pay deposits when they are withdrawn is critical to ongoing operations. If we are unable to meet our payment obligations on a daily basis, we may be subject to being placed into receivership, regardless of our capital levels. Our primary sources of liquidity consist of cash and cash balances due from correspondent banks, excess reserves at the Federal Reserve, loan repayments, federal funds sold and other short- term investments, maturities and monetization of investment securities, cash provided by operating activities and new core deposits into the Bank. Our ability to obtain or liquidate these primary sources of liquidity may be impacted by adverse economic conditions resulting from dynamic, complex, and other foreseen and unforeseen inter- related factors and events in the economic environment. If we were to rely on sales proceeds from the sale of investment securities within our portfolio in order to satisfy our obligations, we may be adversely impacted by our ability to transact and settle such sales. Sales of investment securities in** ~~and~~ **an** ~~Reputational~~ **unrealized loss position would negatively affect our earnings and regulatory capital. In addition, in order to monetize our " held- to- maturity " securities, we expect to rely on pledging those securities for secured funding, and our liquidity may be impaired if we are unable to timely pledge those or any other securities due to a lack of available funding, operational impediments or otherwise. Our industry is susceptible to the negative impact of limited access to short- term and / or long- term sources of funds, which could result in a liquidity shortfall and / or impact our liquidity coverage ratio and could have an adverse effect on our operations, financial condition and earnings. Our inability to access sources of financing at terms that are favorable to us may result in an adverse effect on our business, financial condition, and results of operations. Our liquidity could be adversely affected by any inability to access the debt or equity capital markets, liquidity or volatility in those capital markets, the decrease in value of eligible collateral or increased collateral requirements (including as a result of credit concerns for short- term borrowing), changes to our relationships with our funding providers based on real or perceived changes in our** ~~Risk~~ **risk profile, prolonged federal government shutdowns or changes in regulations. Additionally, our liquidity may be negatively impacted by the unwillingness or inability of the Federal Reserve to act as lender of last resort. Our ability to raise additional financing depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities and on our financial condition and performance. Accordingly, we may be unable to raise additional financing if needed or on acceptable terms. We face competition in the deposit markets and have experienced, and in the future may experience, a significant outflow in our customer deposit accounts, the impact of which required us, and may in the future require us, to find alternative sources of financing, including brokered deposits and other borrowings, in order to fund our financing commitments and operating activities. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits, and must rely on more expensive sources of funding. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive other investment opportunities, such as stocks, bonds, or money market mutual funds, as providing a better risk / return tradeoff. When customers move money out of bank deposits and into other investments, we may lose a relatively low- cost source of funds, increasing our funding costs and negatively affecting our business, liquidity, funding mix, results of operations or financial condition. Adverse changes in the real estate market in our market area could also have an adverse effect on our cost of funds and net interest margin, as we have a significant amount of noninterest bearing deposits related to real estate sales and development. During 2023, total deposits increased by $ 94. 9 million** . The ~~final outcome~~ **increase was primarily attributable to $ 1. 4 billion in time deposits, which was partially offset by a $ 871. 7 million reduction in demand deposit accounts, a $ 140. 8 million reduction in interest bearing accounts, and a $ 326. 7 million reduction in savings and money market accounts as a result of an increase of disintermediation driven primarily by an increase in interest rates. The growth in interest bearing deposits was driven by the increased utilization of brokered deposits, particularly brokered time deposits, during the year ended December 31, 2023. During the year ended December 31, 2023, brokered time deposits increased by approximately $ 998. 0 million, while other interest- bearing brokered deposits decreased by approximately $ 977. 6 million. The impact of the reduction in noninterest** bearing deposits and increase in interest- bearing deposits during 2023 increased our interest expense and had a negative impact on our results of operations. Such activity, if it were to occur again in the future, may have a further negative impact on our financial condition and our results of operations. Brokered deposits or other sources of financing, such as FHLB borrowings and repurchase agreements have historically been, and may in the future be, available only at higher financing costs. Generally, these alternative sources of financing may not be as stable as other types of deposits, or may be associated with higher levels of risk. An inability to maintain or replace customer and brokered deposits as they mature could negatively affect our liquidity, which could significantly reduce our future growth or materially adversely affect our business and our results of operations. If brokered deposits become more difficult to access, we may have to seek alternative funding sources, including accessing borrowings or selling loans or investment securities, in order to continue to fund our growth. There can be no assurance that brokered deposits will be available, or if available, sufficient to support our growth. The migration from one financing source to another financing source may negatively impact our ability to execute investment transactions. The lack of availability of sufficient brokered deposits may have a material adverse effect on our business, financial condition and results of operations. Our outstanding deposits with balances in excess of maximum FDIC insurance coverage limits may be more likely to be withdrawn or transferred to other financing sources with a higher costs to us, which could adversely impact our business, our financial condition, our results of operations, our liquidity and our funding mix. At December 31, 2023, we had approximately $ 2. 8 billion of deposits, or 31 % of our total deposits, in excess of the maximum FDIC insurance coverage limits. Deposits make up a significant source of financing for our investment strategy and funding for our operations. Customers who have uninsured deposits with us could present a heightened risk of withdrawal. Additionally, clients could elect to use other non- deposit funding products, such as repurchase agreements, that may require us to pay higher interest and to provide securities as collateral for our repurchase obligation. If a significant portion of our deposits were withdrawn, as happened in 2023 and could happen again, we may need to rely more heavily on more expensive borrowings and other sources of funding to fund our business and meet withdrawal demands, adversely affecting our net interest margin. The occurrence of any of these events could materially and adversely affect our business, liquidity, funding mix, results of operations or financial condition. If we are unable to continue funding our assets through customer deposits or access capital markets on favorable terms or if we suffer an increase in our borrowing costs or otherwise fail to manage our liquidity effectively, our liquidity, net interest margin, financial results and condition may be materially adversely affected. In order to maintain appropriate levels of liquidity, we may need to, or be required to raise additional capital through the issuance of common stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate our common stock dividend to preserve capital or to raise additional capital. The 2023 failures of Silicon Valley Bank (" SVB"), Signature Bank and First Republic have resulted and may continue to result in increased regulatory and supervisory focus on liquidity risk management, including with respect to uninsured deposits. Meeting supervisory expectations or any new regulatory requirements relating to liquidity risk management generally or uninsured deposits in particular could require us to seek to change our funding sources or the size and composition of our balance sheet, to incur higher expenses or to make other changes that adversely affect our net interest income and net interest margin. Our inability to comply with capital and other regulatory requirements would have an adverse impact on our business, financial condition, and results of operations. The banking industry is highly regulated and supervised under federal and state laws and regulations that are intended primarily for the protection of depositors, customers, the public, the banking industry as a whole, or the FDIC deposit insurance fund (“ DIF ”). The Company and Bank are subject to regulation and supervision by the Federal Reserve and the FDIC, as well as our state regulator. We are subject to U. S. regulatory capital rules, and banking regulators have broad authority to determine whether we are operating in safe and sound manner, including with respect to liquidity risk management and asset quality. We may need to raise additional financing in the future to provide sufficient funding to meet our commitments and business needs. In conjunction with any changes to our capital, we must meet certain regulatory capital requirements and maintain sufficient liquidity, including the requirement that we maintain our status as a well- capitalized institution. Additionally, regulatory capital requirements could increase from current levels, which could require us to raise additional capital or change the size or composition of our balance sheet. If we fail to maintain capital to meet regulatory requirements, our regulators may place restrictions on our activities or impose penalties, which would adversely affect our liquidity, business, financial condition and results of operations. In addition, a variety of adverse consequences could result if the Federal Reserve determines that we have not met supervisory expectations regarding capital planning and liquidity risk management. Such consequences could include ratings downgrades, ongoing heightened supervisory scrutiny, expenses associated with remediation activities, and potentially an enforcement action. If we are unable to maintain sufficient regulatory capital levels, we may be unable to achieve desired performance, which may result in an inability to provide returns to our shareholders. Our ability to fund our operations, to continue growing and to return capital to our shareholders depends in part on our ability to maintain regulatory capital levels above minimum requirements plus buffers. If earnings do not meet our current estimates, if we incur unanticipated losses or expenses, if we grow faster than expected or if our capital position and capital planning do not meet supervisory expectations, we may need to obtain additional capital sooner than expected or we may be required to reduce our level of assets or reduce or suspend dividends or stock repurchases (if restarted) or refrain from pursuing growth opportunities we may otherwise consider attractive. Under those circumstances net income and our growth prospects may be adversely affected. Our investment securities are subject to market risk and credit risk that may have an adverse impact on our financial condition and results of operations. Our investment securities portfolio is classified as either “ available- for- sale ” securities, which are marked to market on a recurring basis and recorded at fair value with unrealized gains or losses reported in accumulated other comprehensive income, or " held- to- maturity " securities, which are recorded at amortized cost less any associated ACL. In pricing the investment securities available- for- sale portfolio, a variety of factors beyond our control may significantly influence the fair values of these securities. These factors include, but are not limited to, market conditions, instability in the credit markets, rating agency downgrades of the securities, lack of market pricing of the securities, defaults of the issuers of the securities and issuer impairments. Conditions within the market or with the security may result in unrealized losses that may have a negative impact on our financial condition. If such losses were realized in a sales transaction, that may have a negative impact on our results of operations and our regulatory capital ratios. Our investment securities portfolio as a whole is exposed to credit risk associated with rating agency downgrades and defaults or impairments of the issuers of those securities. We measure expected credit losses on our investment securities portfolio through our CECL estimate. Increases to the provision for credit losses would have a negative impact on our results of operations and regulatory capital ratios. Additionally, an insufficient CECL provision may result in additional losses that would also have an adverse impact on our results of operations. The investment securities portfolio' s performance, including the existence of unrealized and unrecognized losses in the portfolio, also may create reputational risk for us, particularly in conjunction with the conditions of the banking industry generally, that could result in deposit outflows or reduced access to funding, or negatively impact our ability to attract and retain prospective customers. Damage to our reputation, including as a result of actual or alleged conduct or public opinion of the financial services industry generally could harm our operations, including our liquidity, competitive position and business prospects. Reputation risk, or the risk to our business, liquidity, funding mix, earnings and financial capital from negative public opinion, adverse publicity or negative information is inherent in our business and has increased substantially due to the interconnected global network which facilitates instant access and instantaneous transmission and communication of information, which may include misinformation, of actual or alleged conduct related to any number of activities or circumstances by the Bank, our directors, our officers, our employees and / or ~~potential duration of~~ third parties. Our reputation may be harmed by our actual or perceived practices and disclosures and ~~the~~ those of our customers and third parties. The speed and pervasiveness with which information can be disseminated through digital channels, in particular social media, could magnify risks relating to negative publicity. Risks related to our reputation and the banking industry' s reputation have also increased due to increased volatility in the business environment and challenging economic ~~disruption~~ conditions, as a result of fiscal and monetary policies, banking industry stresses, and sudden events whether within our control or not. In March 2023, SVB and Signature Bank, which had elevated concentrations of uninsured deposits, experienced large deposit outflows, resulting in the institutions being placed into FDIC receiverships. The collapse of these banking institutions sparked a panic which resulted ~~from the onset~~ in many banks, including us, experiencing deposit outflows and ~~subsequent recovery from COVID- 19~~ changes in deposit composition. In addition, the rapid dissemination of negative information through social media, in part, is ~~uncertain at this~~ believed to have led to the collapse of SVB. SVB suffered a level of deposit withdrawals within a time period not previously experienced by a bank. We could also be subject to rapid deposit withdrawals or other outflows as a result ~~the global economy continues to be impacted. The lasting effects~~ of negative social media posts ~~the pandemic and the related ongoing containment measures have caused us to modify our~~ - or other negative publicity. Our ability to attract and retain customers is highly dependent upon the perceptions of current and prospective borrowers and deposit holders and other external perceptions of our products, services, trustworthiness, business practices, workplace culture, compliance practices or our financial health. Negative and adverse perceptions regarding our reputation and the banking industry' s reputation could lead to difficulties in generating and maintaining customers as well as in financing their needs, and difficulties maintaining appropriate liquidity levels and funding requirements. Negative public opinion or damage to our brand could also result from actual or alleged conduct in any number of activities or circumstances, including lending practices, regulatory compliance (including compliance with anti- money laundering statutes and regulations), security breaches or other cybersecurity incidents (including the use and protection of customer data), corporate governance, resolution of conflicts of interest and ethical issues, sales and marketing, and from actions taken by regulators or other persons in response to such conduct. Such conduct could fall short of our customers' and the public' s heightened expectations of financial institutions with rigorous privacy, data protection, data security and compliance practices, and could further harm our reputation. Negative perceptions regarding our ability to maintain the security of our technology systems and protect customer data or our compliance programs, could lead to decreases in the levels of deposits that customers and potential customers choose to maintain with us or significantly increase the costs of attracting and retaining customers. We also face ~~and~~ - an ~~we~~ increased risk of litigation, governmental and regulatory scrutiny, and / or actions governmental authorities may take ~~further actions that we determine are~~ in response to ~~the~~ those conditions ~~best interests of our colleagues, customers and business partners~~. If we do not respond appropriately to the current economic environment, or if customers or other stakeholders do not perceive our response to be adequate, we could suffer damage to our reputation and our brand, which could materially adversely affect our business. ~~We also face~~ All these factors may erode consumer ~~an~~ and investor confidence levels, and / or increased ~~risk~~ volatility of financial ~~litigation and governmental and regulatory scrutiny as a result of the lasting effects of the pandemic on market~~ markets ~~and economic conditions. We also face risks related to actions governmental authorities take in response to those conditions. • Evolution of the COVID- 19 pandemic. The pandemic has adversely affected~~ , could impact and / or ~~may continue to~~ adversely affect ~~,~~ our ~~customers~~ reputation and ~~other~~ -- the ~~businesses in~~ banking industry' s reputation which could harm our operations ~~market area~~ , including ~~as well as counterparties and third party vendors. The resulting adverse impacts on~~ our liquidity, competitive position and business prospects ~~, financial condition, liquidity and results of operations have been, and may continue to be, varied and significant. Since 2020, the COVID- 19 pandemic and the resulting containment measures have resulted in widespread economic and~~

~~financial disruptions that have adversely affected, and may continue to adversely affect, certain customer segments and other businesses in our market area, as well as counterparties and third- party vendors. The impact of the pandemic on our business could worsen, particularly since there remains ongoing uncertainty as to how long the COVID- 19 pandemic and any related containment measures will continue, both in our market area and the rest of the country. In the past, this impact has been significant in certain areas, and could be significant, adverse and potentially material in the future. The full extent of this impact, and the resulting impact on our business, financial condition, liquidity and results of operations, remains inestimable at this time, and will depend on a number of evolving factors and future developments beyond our control and that we are unable to predict~~ . We may not be able to **grow or** manage ~~future growth and~~ competition. We have grown in the past several years through organic growth. We intend to seek further growth in the level of our ~~assets~~ **loans** and deposits within our existing footprint in the Washington, D. C. metropolitan area. We cannot provide any assurance that we will be able to grow at acceptable risk levels and upon acceptable terms **, or at all** . ~~Due~~ **Our ability** to **generate loan portfolio growth has been and may continue to be negatively impacted based on** the ~~evolving~~ **adverse** economic effects **due to** ~~of the COVID- 19 pandemic,~~ the increase in interest rates, **rate of inflation, banking industry stresses** and the heightened competition in the Bank' s market area ~~, it has been difficult to maintain loan growth in recent quarters, and this is expected to continue in 2023 and beyond~~ . Even ~~as~~ **if** economic conditions ~~may~~ continue to improve in future quarters, there can be no assurance that we will be able to increase our total net loans ~~or re- achieve similar loan growth numbers as compared to periods prior to COVID- 19 (or re- achieve meaningful increase in loan growth at all)~~ in the short- term or long- term. **We may not be able to achieve meaningful growth in asset levels, loans or earnings in future years. Moreover, as our asset size, loan portfolio and earnings increase, it may become more difficult to maintain the levels and performance achieved and continue to grow in the future.** Additionally, ~~we~~ **it** may **become more difficult to maintain or achieve improvements in our expense levels and efficiency ratio. We may not** be ~~unable~~ -- **able** to **maintain the relatively low** ~~continue to increase our volume of loans and deposits or to introduce new products and services at acceptable risk~~ levels ~~for a variety~~ of **nonperforming assets** ~~reasons, including an inability to maintain capital and liquidity sufficient to support continued growth. If we are successful in our growth, we cannot provide assurance that future growth would offer the same levels of potential profitability or~~ that we ~~would be successful in controlling costs and~~ **have experienced to date. The inability to** ~~maintaining~~ --- **maintain or achieve growth of income or** ~~asset~~ **assets** ~~quality. Accordingly,~~ **or deposits and increases in improvements of operating expenses or nonperforming assets may have** an ~~inability to maintain growth, or an inability to effectively manage growth, could adversely~~ -- **adverse** ~~affect~~ **impact on** our results of operations, financial condition and **the value of the common** stock ~~price~~ . Failure to maintain effective systems of internal and disclosure controls could have a material adverse effect on our results of operations, financial condition and stock price. Effective internal and disclosure controls are necessary for us to provide reliable financial reports and effectively prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation, operating results or stock price could be adversely impacted. Any failure to maintain effective controls, to timely implement any necessary improvement to our internal and disclosure controls or to effect remediation of any material weakness or significant deficiency could, among other things, result in losses from fraud or error, harm our reputation or cause investors to lose confidence in our reported financial information, all of which could have a material adverse effect on our results of operations, financial condition or stock price. Management reviews and updates our systems of internal control and disclosure controls and procedures, as well as corporate governance policies and procedures, ~~as appropriate~~ **from time to time** . Any system of controls 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 our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, financial condition and results of operations. ~~Growth depends on our ability to meet minimum regulatory capital levels. Growth and shareholder returns may be adversely affected if sources of capital are not available to help us meet them. Growth requires that we maintain our regulatory capital levels at or above the required minimum levels. If earnings do not meet our current estimates, if we incur unanticipated losses or expenses or if we grow faster than expected, we may need to obtain additional capital sooner than expected or we may be required to reduce our level of assets, reduce or suspend stock repurchases or dividends or reduce our rate of growth in order to maintain regulatory compliance. Under those circumstances net income and the rate of growth of net income may be adversely affected. The significant level of ADC loans in our portfolio and new loans sought by customers, which may be required to be assigned a higher risk weight, could require us to maintain additional capital for these loans. Our results of operations, financial condition and the value of our shares may be adversely affected if we are not able to grow our assets. We may not be able to achieve meaningful growth in asset levels, loans or earnings in future years. Moreover, as our asset size, loan portfolio and earnings increase, it may become more difficult to achieve high rates of increase. Additionally, it may become more difficult to achieve improvements in our expense levels and efficiency ratio. We may not be able to maintain the relatively low levels of nonperforming assets that we have experienced to date. The inability to achieve growth of income or assets or deposits and increases in operating expenses or nonperforming assets may have an adverse impact on the value of the common stock. We are subject to liquidity risk in our operations. Liquidity risk is the possibility of being unable to meet obligations as they come due, pay deposits when withdrawn and fund loan and investment opportunities as they arise because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances. If a financial institution is unable to meet its payment obligations on a daily basis, it is subject to being placed into receivership, regardless of its capital levels. • Liquidity risks related to customer and brokered deposits Our largest source of liquidity is customer deposit accounts, including noninterest bearing demand deposit accounts, which constituted 36 % of our total deposits at December 31, 2022. We also rely on brokered deposits, which constituted 26 % of our total deposits at December 31, 2022, as an additional source of liquidity to meet our obligations and fund loan and investment opportunities. The market for customer and brokered deposits is highly competitive and the risk of disintermediation is high, particularly in a high~~

~~interest rate environment. Most of our noninterest bearing deposits are operating deposits or compensating balances that are held in connection with lending relationships, and are less likely to disintermediate. For customers that do not have a lending relationship, however, the risk of deposit disintermediation is significantly higher, as the opportunity cost of interest forgone is greater. The potential outflow of such deposits is a risk unless we pay a more competitive rate of interest on them, which could significantly and negatively impact the Bank' s interest expense and net interest margin. In addition, if we are unable to increase customer deposits in an amount sufficient to fund loan growth, we may be required to rely more heavily on brokered deposits or on other, potentially more expensive, sources of liquidity, such as FHLB borrowings and repurchase agreements to fund loan growth, or, if such sources are unavailable, to resort to the sale of available for sale securities at a loss, the sale or participation of existing loans or other alternative sources of fundraising to meet our liquidity needs. Generally, these alternative sources of liquidity may not be as stable as other types of deposits, or may be associated with higher levels of risk, and may require us to pay a higher cost of funds, to replace them with other sources of funds or to slow loan growth. An inability to maintain or replace customer and brokered deposits as they mature could negatively affect our liquidity, which could significantly reduce our future growth or materially adversely affect our net interest margin, earnings and stock price. • Liquidity risks related to deposits in excess of the maximum FDIC insurance coverage limits We also have a significant amount of deposits that are in excess of the maximum FDIC insurance coverage limits. At any time, customers who have uninsured deposits may decide to move their deposits to institutions which are perceived as safer, sounder or " too big to fail " or could elect to use other non-deposit funding products, such as repurchase agreements, that may require the Bank to pay higher interest and to provide securities as collateral for the Bank' s repurchase obligation. At December 31, 2022, the Bank had approximately $ 4. 4 billion of uninsured deposits, which was 51 % of our total deposits. • Liquidity risks related to access to capital markets We face significant capital and other regulatory requirements as a financial institution. We may need to raise additional capital in the future to provide sufficient capital resources and liquidity to meet our commitments and business needs, which could include the possibility of financing acquisitions. In addition, we must meet certain regulatory capital requirements and maintain sufficient liquidity. Importantly, regulatory capital requirements could increase from current levels, which could require us to raise additional capital or reduce our operations. Our liquidity could be adversely affected by any inability to access the capital markets, illiquidity or volatility in the capital markets, the decrease in value of eligible collateral or increased collateral requirements (including as a result of credit concerns for short- term borrowing), changes to our relationships with our funding providers based on real or perceived changes in our risk profile, prolonged federal government shutdowns or changes in regulations. Additionally, our liquidity may be negatively impacted by the unwillingness or inability of the Federal Reserve to act as lender of last resort. Our ability to raise additional capital depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities and on our financial condition and performance. Accordingly, we may be unable to raise additional capital if needed or on acceptable terms. If we fail to maintain capital to meet regulatory requirements, our liquidity, business, financial condition and results of operations could be adversely affected. • Liquidity risks related to securities' market values The investment securities portfolio has risk factors beyond the Company' s control that may significantly influence its fair value. Declines in the value of investment securities could result in losses that can reduce liquidity, capital and earnings. These risk factors include, but are not limited to, market conditions, instability in the credit markets, rating agency downgrades of the securities, lack of market pricing of the securities, defaults of the issuers of the securities and issuer impairments. The Company' s investment in equity securities and in securities with no market activity present heightened credit and price risks. We believe that the Company' s liquidity risks are mitigated through the use of various models and strategies combined with our strong earnings, capital position, relationship banking model and reputation as a safe and sound institution. We also continually assess and strategize to control liquidity risk exposures from the potential loss of or competition for customer deposits and from the potential loss of securities' market values. There is no assurance, however, that we will not have to replace a significant amount of deposits with alternative funding sources, such as repurchase agreements, federal funds lines, certificates of deposit, brokered deposits, other categories of interest bearing deposits and FHLB borrowings, all of which are more expensive than noninterest bearing deposits, can be more expensive than other categories of deposits and may significantly increase our cost of funds. There is also no assurance that we will be able to reduce our risk positions related to assets with significant declines in value or related to assets with no market activity. In times of market stress or other unforeseen circumstances, market movements may limit the effectiveness of our strategies, reduce or eliminate our growth and cause us to incur material losses. The Company believes that the loss of a significant amount of deposits, particularly noninterest bearing deposits and any material losses in our investment portfolio could have a material adverse effect on our earnings, net interest margin, rate of growth and stock price.~~ We may face risks with respect to future expansion or acquisition activity. We are subject to comprehensive regulation under federal and state **banking** laws. These laws and regulations significantly affect and have the potential to restrict the scope of our existing businesses and limit our ability to pursue certain business opportunities, including the products and services we offer. We may seek to selectively expand our banking operations through limited de novo branching or opportunistic acquisition activities. We cannot be certain that any expansion activity, through de novo branching, acquisition of branches of another financial institution or a whole institution or the establishment or acquisition of nonbanking financial services companies, will prove profitable or will increase shareholder value. The FRB' s prior approval is required to acquire all or substantially all of the assets of any bank or savings association, to acquire direct or indirect ownership or control of more than 5 % of any class of voting securities of any bank or savings association or to merge or consolidate with any other bank holding company or savings and loan holding company. The BHC Act and other federal law enumerates the factors the FRB must consider when reviewing the merger of bank holding companies, the acquisition of banks or the acquisition of voting securities of a bank or bank holding company. These factors include the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the effect of the transaction on the financial stability of the United States; the organizations' compliance with anti- money laundering laws and regulations; the convenience and needs of the communities to be served; and the records of performance under the CRA of the insured depository institutions involved in the transaction. Such regulatory approvals may not be granted on terms that are acceptable to us, or at all. We may also be required to sell branches as a condition to receiving regulatory approval, a condition which may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition. The success of any acquisition will depend, in part, on our ability to realize the estimated cost savings and revenue enhancements from combining the businesses of the Company and the target company. Our ability to realize increases in revenue will depend, in part, on our ability to retain customers and employees and to capitalize on existing relationships for the provision of additional products and services. If our estimates for such activities turn out to be incorrect or we are not able to successfully combine companies, the anticipated cost savings and increased revenues may not be realized fully or at all or may take longer to realize than expected. It is possible that the integration process could result in the loss of key employees, the disruption of each company' s ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients and employees or to achieve the anticipated benefits of the merger. As with any combination of banking institutions, there also may be disruptions that cause us to lose customers or cause customers to withdraw their deposits from our bank. Customers may not readily accept changes to their banking arrangements that we make as part of or following an acquisition. Additionally, the value of an acquisition to the Company is dependent on our ability to successfully identify and estimate the magnitude of any asset quality issues of acquired companies. Our concentrations of loans may create a greater risk of loan defaults and losses. A substantial portion of our loans are secured by commercial real estate in the Washington, D. C. metropolitan area and substantially all of our loans are to borrowers in that area. We also have a significant amount of real estate construction loans and land related loans for ~~residential and~~ commercial developments. At December 31, ~~2022~~ **2023** , ~~81~~ **82** % of our loans were secured or partially secured by real estate, primarily commercial real estate. ~~Management believes that the commercial real estate concentration risk is mitigated by diversification among the types and characteristics of real estate collateral properties, sound underwriting practices and ongoing portfolio monitoring and market analysis.~~ Of these loans, $ 1. ~~0~~ **1** billion, or **14** ~~13. 0~~ % of portfolio loans, were land, land development and construction loans. An additional $ 1. 5 billion, or **18** ~~19. 0~~ % of portfolio loans, were commercial and industrial loans, which are generally not secured by real estate. **At December 31, 2023, $ 949. 0 million, or 12 % of the total loan portfolio, comprised commercial real estate loans collateralized by office properties.** The **performance and** repayment of these loans often depends on the successful operation of a business or the sale or development of the underlying property and, as a result, is more likely to be adversely affected by adverse conditions in the real estate market or the economy in general. While we believe that our loan portfolio is well diversified in terms of borrowers and industries, these concentrations expose us to the risk that adverse developments in the real estate market or in the general economic conditions in the Washington, D. C. metropolitan area **, and in particular the area' s office property market,** could increase the levels of nonperforming loans **, which could have** ~~and~~ - **an adverse impact on our provision for credit losses, loan** charge- offs and ~~reduce~~ **overall** loan demand. In that event, we would likely experience higher losses or lower earnings. Additionally, if, for any reason, economic conditions in our market area deteriorate, **commercial real estate values, in particular for offices, decline further,** or there is significant volatility or weakness in the economy or any significant sector of the area' s economy, our ability to develop our business relationships may be diminished, the quality and collectability of our loans may be adversely affected, the value of collateral may decline and loan demand may be reduced. **The** ~~Commercial, commercial real estate and construction loans tend to have larger balances than single family mortgages loans and other consumer loans. Because the~~ loan portfolio contains a significant number of commercial and commercial real estate and construction loans with relatively large balances ~~, the~~ **. The** deterioration of one or a few of these loans may cause a significant increase in nonperforming assets. An increase in nonperforming loans could result in: a loss of earnings from these loans, an increase in the provision for loan losses, an increase in loan charge- offs, and / or an increase in operating expenses which could have an adverse impact on our results of operations and financial condition. Our ~~Residential Lending department~~ **concentration of large depositors may increase our liquidity risk and have an adverse effect on our results of operations. While no single depositor represented more than 10 % of total deposits at December 31, 2023, our ten largest depositors not associated with brokered pass- through relationships represented approximately 22 % of total deposits. This high concentration of depositors presents a risk to our liquidity if one or more of these depositors decides to change its relationship with us and to withdraw all or a significant portion of its deposits. If such an event occurs, we may need to seek out alternative sources of funding that may not be on the same terms as the deposits being replaced, including at potentially higher rates** , which **could negatively impact our net** ~~will cease originating mortgages for sale in the first quarter of 2023, will no longer provide us with significant noninterest~~ --- **interest** ~~income We recently announced that~~ **margin and have a material adverse effect on our business, financial condition, results of operations and growth prospects. If** we ~~will cease originating residential mortgages~~ **are unable to source alternative sources of funding at attractive rates** ~~for~~ - **or at all,** ~~sale in the first quarter of 2023 (see Note 26 of the Consolidated Financial Statements for further details). While~~ we **could** ~~believe that this decision is appropriate given the challenged nature of the business, we cannot~~ be **required** ~~certain that we will be able~~ to ~~maintain~~ **sell** or **otherwise monetize** ~~increase the volume or percentage of revenue or net income previously produced by the residential mortgage business. In 2022, the Bank originated $ 295. 6 million and sold $ 338. 9 million of residential mortgage loans to investors, as compared to $ 1. 1 billion originated and $ 1. 2 billion sold to investors in 2021. The residential mortgage business is highly competitive, and highly susceptible to changes in market interest rates, consumer confidence levels, employment statistics, the capacity and willingness of secondary market purchasers to acquire and hold or securitize~~ - **securities from** ~~loans and other factors beyond our control. Changes in tax laws could make home ownership less attractive, reducing the demand for residential mortgage loans. Additionally, in many respects, the traditional mortgage origination business is relationship based and dependent on the services of individual mortgage loan officers. The loss of services of one or~~ **our** ~~more~~

~~loan officers~~ **investment securities portfolio, which** could have ~~the effect of reducing the level of our mortgage production or the rate of growth of production. Our financial condition, earnings and asset quality could be adversely affected if we are required to repurchase loans originated for sale by our Residential Lending department. The Bank originates residential mortgage loans for sale to secondary market investors, subject to contractually specified and limited recourse provisions. Because the loans are intended to be originated within investor guidelines, using designated automated underwriting and product specific requirements as part of the loan application, the loans sold have a limited recourse provision. In general, the Bank may be required to repurchase a previously sold mortgage loan or indemnify the investor if there is non- compliance with defined loan origination or documentation standards including fraud, negligence, material misstatement in the loan documents or non- compliance with applicable law. In addition, the Bank may have an obligation to repurchase a loan if the mortgagor has defaulted early in the loan term or return profits made should the loan prepay within a short period. The potential mortgagor early default repurchase period is up to approximately twelve months after sale of the loan to the investor. The recourse period for fraud, material misstatement, breach of representations and warranties, non- compliance with law or~~ similar ~~matters could be as long as the term of the loan. Mortgages subject to recourse are collateralized by single family residential properties, have loan- to- value ratios of 80 % or less or have private mortgage insurance. Our experience to date has been minimal in the case of loan repurchases due to default, fraud, breach of representations, material misstatement or legal non- compliance. While not a significant matter in the past, should repurchases become a material issue, our earnings and asset quality could be adversely~~ -- **adverse consequences** ~~impacted, which could adversely impact our share price~~ . Our financial condition, earnings and asset quality could be adversely affected if our consumer facing operations do not operate in compliance with applicable regulations. While all aspects of our operations are subject to detailed and complex compliance regimes, those portions of our lending operations which most directly deal with consumers pose particular ~~challenges~~ **risks** given the ~~emphasis on~~ **potential financial, reputational and regulatory consequences of failing to satisfy** consumer compliance **requirements** ~~by bank regulators at all levels. Residential mortgage lending raises significant compliance risks resulting from the detailed and complex nature of mortgage lending regulations imposed by federal regulatory agencies and the relatively independent operating environment in which mortgage lending officers operate~~ . As a result, despite the education, compliance training, supervision and oversight we exercise in these areas, **these compliance efforts could be unsuccessful or** individual **employees** ~~loan officers intentionally trying to conceal improper activities~~ could **engage in misconduct, potentially** ~~result~~ **resulting** in the Bank being strictly liable for restitution or damages to individual borrowers and **subject** to regulatory enforcement activity **or damage to its reputation** . Changes in interest rates and other factors beyond our control could have an adverse impact on our financial performance and results. Our **liquidity, funding mix, competitive position, business, results of** ~~operating~~ **operations** ~~income~~ and ~~net income~~ **financial condition** depend to a great extent on our net interest margin, i. e., the difference between the interest yields we receive on loans, securities and other interest bearing assets and the interest rates we pay on interest bearing deposits and other liabilities. Net interest margin is affected by changes in market interest rates, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest bearing liabilities mature or re- price more quickly than interest earning assets in a period, an increase in market rates of interest could reduce net interest income **, possibly materially** . Similarly, when interest earning assets mature or re- price more quickly than interest bearing liabilities, falling interest rates could reduce net interest income **, possibly materially. Fluctuations in interest rates have a direct impact on our credit spreads and the cost of our funding. Changes in our credit spreads and funding costs are market driven and may be influenced by market perceptions of our creditworthiness, including changes in our credit ratings or changes in broader financial market and macroeconomic conditions. Changes to interest rates, our credit spreads and funding costs occur continuously and may be unpredictable and highly volatile. Developments affecting other banking institutions or the banking sector generally can also have a significant effect on our funding costs. We may also experience net interest margin compression as a result of offering higher than expected deposit rates in order to attract and maintain deposits** . These rates are highly sensitive to many factors beyond our control, including competition, general economic conditions and monetary and fiscal policies of various governmental and regulatory authorities, including the FRB. We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, re- pricing, and balances of the different types of interest earning assets and interest bearing liabilities, but interest rate risk management techniques are not exact. As a result, a rapid increase or decrease in interest rates could have an adverse effect on our net interest margin and results of operations. ~~At December 31, 2022, our cumulative net asset~~ **The Company employs an earnings simulation model (immediate parallel shifts along the yield curve) on a quarterly basis to monitor its interest rate** ~~sensitive~~ **sensitivity** ~~twelve month gap position was 7. 98 % of total assets~~ **and risk and to model its balance sheet cash flows and the related income statement effects in different interest rate scenarios** . As such **, the Company' s analysis** , assuming a static balance sheet, ~~we expect increases~~ **decreases** of approximately **(0. 4) % and (0.** 9 **)** ~~. 9 % and 16. 4~~ %, respectively, in projected net interest income and net income over a twelve month period resulting from an instantaneous 100 basis point increase in rates across the yield curve. Conversely, assuming a static balance sheet, we expect decreases of approximately ~~(~~ **3. 0 % and 8.** 4 ~~. 7) % and (7. 3)~~ %, respectively, in projected net interest income and net income over a twelve month period resulting from an instantaneous 100 basis point decrease in rates across the yield curve. In addition, if interest rates continue to rise or stay elevated, we **may** ~~will likely~~ continue to experience ~~an increase in~~ deposit outflows ~~. Our residential mortgage origination and sales volume will also decrease, given our decision to cease originating residential mortgages for sale in the first quarter of 2023 (See Note 26 of the Consolidated Financial Statements for further details)~~ . The results of our interest rate sensitivity simulation model depend upon a number of assumptions, which may not prove to be accurate. There can be no assurance that we will be able to successfully manage our interest rate risk ~~. Adverse changes in the real estate market in our market area could also have an adverse effect on our cost of funds and net interest margin, as we have a large amount of noninterest bearing deposits related to real estate sales and development. While we expect that we would be able to replace the liquidity provided by these deposits, the replacement funds~~

~~would likely be more costly, negatively impacting earnings~~. Fluctuations in inflation rates may also have a number of adverse effects on the Bank and the Company. For example, material increases in inflation rates would likely result in an increase in personnel and other operational costs and an increase in salary and wage expenses, which comprise the Bank' s most significant non- interest expense category. Long periods of high inflation also result in higher interest rates, which will increase the Bank' s deposit costs and overall cost of funds. Higher interest rates will also reduce the value of the Bank' s investment portfolio holdings, and if such reductions are significant, they may materially limit our ability to meet future liquidity shortfalls by selling investments without realizing substantial losses. **Higher interest rates can also adversely affect the creditworthiness of the Bank' s borrowers, and the commercial real estate loan portfolio is particularly sensitive to a higher interest rate environment.** These and other indirect impacts of inflation on the Bank and the Company could significantly adversely affect the Bank' s and the Company' s earnings and capital in both the short term and long term. We may not be able to successfully compete with others for business. ~~The Washington, D. C. metropolitan area in which we operate is considered highly attractive from an economic and demographic viewpoint and is a highly competitive banking market.~~ We compete **in a highly-competitive market** for loans and ~~deposits~~ - **deposit** ~~'~~ dollars with numerous regional and national banks, online divisions of out- of- market banks and other community banking institutions, as well as other kinds of financial institutions and enterprises, such as securities firms, insurance companies, savings associations, credit unions, mortgage brokers, private lenders and nontraditional competitors such as fintech companies and internet- based lenders, depositories and payment systems. Our profitability depends upon our continued ability to successfully compete with traditional and new financial services providers, some of which maintain a physical presence in our market areas and others of which maintain only a virtual presence. Many competitors have substantially greater resources than us, and some operate under less stringent regulatory environments. The differences in resources and regulations may make it harder for us to compete profitably, reduce the rates that we can earn on loans and investments, increase the rates we must offer on deposits and other funds and adversely affect our overall financial condition and earnings. The Bank has ~~been very successful in~~ **developed and aims to continue to** ~~developing~~ --- **develop new** customer relationships. Going forward, should competitive pressures increase, we are subject to the risk that we may not be able to retain the loans and deposits produced by these new relationships. ~~While we believe~~ **There can be no assurance** that our relationship banking model will enable us to keep a significant percentage of ~~these~~ new relationships **or continue to develop new relationships** , ~~there can~~ **that we would** be ~~no assurance~~ **able to maintain appropriate levels in the pricing, margins and asset quality or** that we will be able to **continue** ~~do so, that we would be able to maintain favorable pricing, margins and asset quality or that we will be able~~ to grow ~~at the same rate we did when alternative financing was not widely available~~. Our customers and businesses in the Washington, D. C. metropolitan area in general may be adversely impacted as a result of changes in government spending **or a government shutdown** . The Washington, D. C. metropolitan area is characterized by a significant number of businesses that are federal government contractors or subcontractors **,** or which depend on such businesses for a significant portion of their revenues. While the Company does not have a significant level of loans to federal government contractors or their subcontractors, **which as of December 31, 2023 was $ 267. 4 million, or 3. 4 % of our loan portfolio,** the impact of a shutdown of federal government operations, a decline in federal government spending, a reallocation of government spending to different industries or different areas of the country or a delay in payments to such contractors **, whether as a result of a government shutdown or otherwise,** could have a ripple effect ~~. As the economy began to improve from the COVID- 19 pandemic, many of the federal government stimulus programs were discontinued. The impact of the discontinuation of these programs on the local economy in 2023~~ and ~~beyond is uncertain~~ **adversely affect our results of operations and financial condition, including asset quality, financial capital and liquidity levels** . Temporary layoffs, staffing freezes, salary reductions or furloughs of government employees or government contractors and other impacts from ~~the cessation of stimulus or~~ declining government spending, **lapses in appropriations, or changes in fiscal appropriations** could have adverse impacts on other businesses in the Company' s market and the general economy of the greater Washington, D. C. metropolitan area and may indirectly lead to a loss of revenues by the Company' s customers, including vendors and lessors to the federal government and government contractors or to their employees, as well as a wide variety of commercial and retail businesses. Accordingly, such potential federal government actions could lead to increases in past due loans, nonperforming loans, credit loss reserves and charge- offs and a decline in liquidity. We rely upon independent appraisals to determine the value of the real estate that secures a significant portion of our loans, and the values indicated by such appraisals may not be realizable if we are forced to foreclose upon such loans. A significant portion of our loan portfolio consists of loans secured by real estate. We rely upon independent appraisers **at the time of origination** to estimate the value of such real estate. Appraisals are only estimates of value **,** and **the soundness of those estimates may be affected by volatility in the real estate market or other changes in market conditions. In addition,** the independent appraisers may make mistakes of fact or judgment, which adversely affect the reliability of their appraisals. In addition, events occurring after the initial appraisal may cause the value of the real estate to increase or decrease **. For example, since 2020 and in light of the prevalence of hybrid work arrangements and associated lower occupancy rates, the value of commercial real estate secured by office properties has generally declined** . As a result of any of these factors, the real estate securing some of our loans may be more or less valuable than anticipated at the time the loans were made. If a default occurs on a loan secured by real estate that is less valuable than originally estimated, we may not be able to recover the outstanding balance of the loan and will suffer a loss. We are exposed to risk of environmental liabilities with respect to properties to which we take title. In the course of our business we lend against, and from time to time foreclose and take title to, real estate, potentially becoming subject to environmental liabilities associated with the properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and cleanup costs or we may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. Costs associated with investigation or remediation activities can be substantial. If the Bank is the lender to, or owner or former owner of, a contaminated site, it 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. Climate change or government action and societal responses to climate change could adversely affect our results of operations. Climate change can increase the likelihood of the occurrence and severity of natural disasters and can also result in longer- term shifts in climate patterns such as extreme heat, sea level rise ~~and~~ **,** more frequent and prolonged drought **, stronger and more frequent storms and other instances of extreme weather** . Such significant climate change effects may negatively impact the Company' s geographic markets, disrupting the operations of the Company, our customers or third parties on which we rely. Damages to real estate underlying mortgage loans or real estate collateral and declines in economic conditions in geographic markets in which the Company' s customers operate may impact our customers' ability to repay loans or maintain deposits due to climate change effects, which could increase our delinquency rates and average credit loss. Moreover, as the effects of climate change continue to create a level of concern for the state of the global environment, companies are facing increasing scrutiny from customers, regulators, investors and other stakeholders related to their environmental, social and governance (" ESG ") practices and disclosure. New government regulations could result in more stringent forms of ESG oversight and reporting and diligence and disclosure requirements. Increased ESG related compliance costs, in turn, could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards, including with respect to the Company' s involvement in certain industries or projects associated with causing or exacerbating climate change, may negatively affect the Company' s reputation and commercial relationships, which could adversely affect our business. ~~Our operations rely significantly on certain external vendors. Our business is dependent on the use of outside service providers that support our day- to- day operations including data processing and electronic communications. Our operations are exposed to risk that a service provider may not perform in accordance with established performance standards required in our agreements for any number of reasons including equipment or network failure, a change in their senior management, their financial condition, their product line or mix and how they support existing customers or a simple change in their strategic focus. While we have comprehensive policies and procedures in place to mitigate risk at all phases of service provider management from selection to performance monitoring and renewals, the failure of a service provider to perform in accordance with contractual agreements could be disruptive to our business, which could have a material adverse effect on our financial conditions and results of our operations.~~ Difficulty recruiting or retaining successful bankers, as well as the loss of any of our executive officers or other key personnel, could negatively impact the implementation of our business strategy, impair relationships with our customers and adversely affect our financial condition and results of operations. In light of macroeconomic factors ~~, as well as work environment issues arising from the COVID- 19 pandemic~~ , human capital management risks are an ~~increasing~~ **important** component of the Company' s assessment of risk and its enterprise risk management system. Our ability to retain and grow loans, deposits and fee income depends upon the business generation capabilities, reputation and relationship management skills of our bankers. If we were to experience difficulty recruiting successful bankers, or lose the services of any of our bankers to a new or existing competitor or otherwise, we may be unable to establish and retain valuable relationships and some of our customers or potential customers could choose to use the services of a competitor instead. Moreover, the Company relies significantly on the expertise and experience of our executive officers and senior management, whose skills, years of industry experience and relationships with customers may be difficult for the Company to replace. The loss of service of one or more of these key personnel could reduce the Company' s ability to successfully implement its long- term business strategy, our business could suffer and the value of the Company' s common stock could be materially adversely affected. Leadership changes may occur from time to time and the Company cannot predict whether significant resignations will occur or whether the Company will be able to recruit additional qualified personnel. There can be no assurance that the Company can adequately prepare for these risks prior to their occurrence or that they will not have a material impact on our financial condition and results of operations. RISKS RELATED TO INVESTING IN OUR STOCK Our ability to make distributions in respect of our securities may be limited. Our ability to pay a cash dividend on our common stock, to repurchase shares of our common stock or to pay interest on our subordinated debt will depend largely upon the ability of the Bank, the Company' s principal operating business, to declare and pay dividends to the Company. Payment of distributions on our securities will also depend upon the Bank' s earnings, financial condition and need for funds, as well as laws, regulations and governmental policies applicable to the Company and the Bank, which limit the amount of distributions that may be made. In addition to the minimum CET1, Tier 1, leverage ratio and total capital ratios, the Company and the Bank each must maintain a capital conservation buffer consisting of additional CET1 capital greater than 2. 5 % of risk- weighted assets above the required minimum risk- based capital levels in order to avoid limitations on paying dividends and repurchasing shares. The payment of dividends in any period and the adoption or implementation of a share repurchase program do not mean that the Company will continue to pay dividends at the current level, or at all, or that it will repurchase any ~~additional~~ shares of common stock. Refer to " Regulation " under Item 1 and to " Market for Common Stock " under Item 5 for additional information. We may issue additional equity securities or engage in other transactions that could affect the priority of our common stock, which may adversely affect the market price of our common stock. In accordance with our Amended Articles of Incorporation, our Board ~~of Directors~~ may determine from time to time that we need to raise additional capital by issuing additional shares of our common stock or other securities. We are not restricted from issuing additional shares of common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future offerings or the prices at which such offerings may be effected. Such offerings could be dilutive to common shareholders. Pursuant to our Amended Articles of Incorporation, the Company' s Board ~~of Directors~~ is authorized to issue up to one million shares of preferred stock, on such terms and with such powers, preferences, rights and provisions as it may determine and to divide the preferred stock into one or more classes or series. New investors, and particularly investors in any preferred stock the Company may issue from time to time, will therefore have rights, preferences and privileges that are senior to, and that adversely affect, our then current common shareholders. Additionally, if we raise additional capital by making additional offerings of debt or preferred equity securities, upon liquidation of the Company, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Also, additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Substantial regulatory limitations on changes of control and anti- takeover provisions of Maryland law may make it more difficult for shareholders to receive a change in control premium. With certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be " acting in concert " from, directly or indirectly, acquiring more than 10 % (5 % if the ~~acquiror~~ **acquirer** is a bank holding company) of any class of the Company' s voting stock or obtaining the ability to control in any manner the election of a majority of its directors or otherwise direct the management or policies of the Company without prior notice or application to and the approval of the Federal Reserve. There are comparable prior approval requirements for changes in control under Maryland law. Also, the Maryland General Corporation Law, as amended, contains several provisions that may make it more difficult for a third party to acquire control of the Company without the approval of its Board ~~of Directors~~ and may make it more difficult or expensive for a third party to acquire a majority of its outstanding common stock. RISKS RELATED TO OUR LEGAL AND REGULATORY ENVIRONMENT Our concentrations of loans may require us to maintain higher levels of capital. Under guidance adopted by the federal banking agencies, banks ~~which~~ **that** have concentrations in construction, land development or commercial real estate loans (other than loans for majority owner occupied properties) **are** ~~would be~~ expected to maintain higher levels of risk management policies and processes and, potentially, higher levels of capital. **We** ~~Although not currently anticipated, we~~ may be required to maintain higher levels of capital than we would otherwise be expected to maintain as a result of our levels of construction, development and commercial real estate loans. Litigation and regulatory actions, possibly including enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities. In the normal course of our business, we are named as a defendant in various legal actions arising in connection with our current and / or prior business activities or public disclosures. Legal actions could include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. Further, we may be subject to regulatory enforcement actions. We are also, from time to time, the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by various agencies and other bodies regarding our current and / or prior business activities. Additionally, we also from time to time receive demand letters from shareholders, and such letters may lead to these shareholders filing claims or derivative suits against us if our engagement with such shareholders ends in a failure to successfully negotiate a settlement. Any such legal or regulatory actions may subject us to substantial compensatory or punitive damages, significant fines, penalties, obligations to change our business practices, required changes in our senior officers or other requirements resulting in increased expenses, diminished income and damage to our business. Our involvement in any such matters, whether tangential or otherwise, and even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, regulatory order or agreement, informal enforcement action or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in adverse audit findings or additional litigation, investigations or proceedings as other parties, including other litigants and / or government agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could have a material adverse effect on our business, results of operations, financial condition and stock price, including in any particular reporting period. Further, in ~~such~~ **litigation and regulatory** matters, it is inherently difficult to determine whether any loss is probable or whether it is possible to estimate the amount of any reasonably possible loss. We cannot predict with certainty if, how or when such proceedings will be resolved or what the eventual fine, penalty or other relief, conditions or restrictions, if any, may be, particularly for actions that are in their early stages of investigation. We may be required to pay fines or civil money penalties or make other payments in connection with certain of these issues. This uncertainty makes it difficult to estimate probable losses, which, in turn, can lead to substantial disparities between the reserves we may establish for such proceedings and the eventual settlements, fines or penalties. While the Company and Bank carry insurance to protect us from material outlays (excluding regulatory fees and penalties), such insurance may not always fully or even substantially cover such outlays. The Company maintains director and officer insurance policies (" D & O Insurance Policies ") that provide coverage for the legal defense costs. ~~Once~~ **When** the D & O Insurance Policies are exhausted ~~(as~~ **, the Company** is ~~the case for our 2016 / 2017 D & O Policy), the Company will be~~ responsible for paying the defense costs associated with those investigations and litigations (to include unpaid receivables from the insurance carriers) for itself and on behalf of any current and former officers and directors entitled to indemnification from the Company. The Company **has incurred and** may incur in the future in connection with current ongoing and any potential future investigations and legal proceedings, as they are dependent on various factors, many of which are outside of the Company' s control. In the event such costs are significant, they could have a material adverse effect on our business, financial condition, results of operations and stock price. **Our operation in our regulatory environment, both current or updated as a result of new or updated laws or rules, may have an adverse impact on our business, our financial condition and our results of operations.** The banking industry is highly regulated ~~, and the regulatory framework, together with any future legislative or regulatory changes, may have a materially adverse effect on our operations. The banking industry is highly regulated~~ and supervised under federal and state laws and regulations that are intended primarily for the protection of depositors, customers, the public, the banking system as a whole or the FDIC DIF ~~and not for the protection of our shareholders and creditors~~ . The Company and Bank are subject to regulation and supervision by the Federal Reserve and the FDIC, as well as our state regulator. Compliance with these laws and regulations can be difficult and costly, and **we may incur significant expenses to meet supervisory expenses or remediate supervisory findings. In addition,** changes to laws and regulations can impose additional compliance costs. The laws and regulations applicable to the Company and Bank govern a variety of matters, including permissible types, amounts and terms of loans and investments they may make, the maximum interest rate that may be charged, the ~~amount of reserves that must be held against deposits, the~~ types of deposits that may be accepted and the rates that may be paid on such deposits, maintenance of adequate capital and liquidity, changes in control of the Company and Bank, transactions between the Bank and its affiliates, handling of nonpublic information, restrictions on distributions to shareholders through dividends or share repurchases, dividends and establishment of new offices **. The Company' s and the Bank' s regulators have also provided guidance on supervisory expectations relating to risk management and numerous other aspects of our activities** . We must obtain approval from our regulators before engaging in certain activities, and there is risk that such approvals may not be granted, either in a timely manner or at all. These requirements may constrain our operations, and the adoption of new laws and changes to or repeal of existing laws may have a further impact on our business, financial condition and results of operations. Also, the burden imposed by those laws and regulations may place banks in general, including the Bank in particular, at a competitive disadvantage compared to our non- bank competitors. Our failure to comply with any applicable laws or regulations or regulatory policies and interpretations of such laws and regulations **, or our failure to meet supervisory expectations,** could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could have a material adverse effect on our business, financial condition and results of operations. Applicable federal and state laws, regulations **, regulatory guidance** , interpretations, enforcement policies and accounting principles have been subject to significant changes in recent years and may be subject to significant future changes. Future changes may have a material adverse effect on our business, financial condition and results of operations. Federal regulatory agencies may adopt changes to their regulations ~~or~~ **,** change the manner in which existing regulations are applied **or develop more stringent expectations for the banks they supervise** . We cannot predict the substance or effect of future legislation or regulation or the application of laws and regulations to us. Compliance with current and potential regulation, as well as regulatory scrutiny, may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase regulatory capital ~~and~~ **, to change the size or composition of our funding, loan portfolio or investment securities portfolio, or to** limit our ability to pursue business opportunities ~~in an efficient manner by requiring us to expend significant time, effort and resources to ensure compliance and respond to any regulatory inquiries or investigations~~ . In addition, regulators may elect to alter standards or the interpretation of the standards used to measure regulatory compliance or to determine the adequacy of liquidity, risk management or other operational practices for financial service companies in a manner that impacts our ability to implement our strategy and could affect us in substantial and unpredictable ways and could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the regulatory agencies have extremely broad discretion in their interpretation of laws and regulations and their assessment of the quality of our loan portfolio, securities portfolio and other assets. If any regulatory agency' s assessment of the quality of our assets, operations, lending practices, investment practices, capital structure or other aspects of our business differs from our assessment, we may be required to take additional charges or undertake, or refrain from taking, actions that **could have a material adverse effect on our business, financial condition and results of operations. Increases in FDIC insurance premiums could adversely affect our earnings and results of operations. The deposits of our bank are insured by the FDIC up to legal limits and, accordingly, subject it to the payment of FDIC deposit insurance assessments, determined in accordance with a defined calculation. The FDIC has imposed a special assessment to recover the losses to the DIF resulting from the FDIC' s use, in March 2023, of the systemic risk exception to the least- cost resolution test under the Federal Deposit Insurance Act in connection with the receiverships of Silicon Valley Bank and Signature Bank. Increases in assessment rates or further special assessments may occur in the future, especially if there are significant additional financial institution failures. Any future special assessments, increases in assessment rates or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which** could have a material adverse effect on our business, financial condition and results of operations. We are subject to laws regarding the privacy, information security and protection of personal information, and any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our business. Our business requires the collection and retention of large volumes of customer data, including personally identifiable information (" PII") in various information systems that we maintain and in those maintained by third party service providers. We also maintain important internal company data such as PII about our employees and information relating to our operations. We are subject to complex and evolving laws and regulations governing the privacy and protection of PII of individuals (including customers, employees and other third parties), as well as planning for responding to data security breaches. Various federal and state banking regulators and states have also enacted data breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in the event of a security breach. ~~Ensuring~~ **We have incurred and expect to continue to incur costs in connection with our policies and procedures designed to ensure** that our collection, use, transfer, storage and disposal of PII complies with all applicable laws and regulations ~~can increase our costs~~ . Furthermore, ~~we may not be able to ensure that~~ customers and other third parties **may not** have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means **, which can expose us to risks and potential costs and liabilities** . If personal, confidential or proprietary information of customers or others were to be mishandled or misused (in situations where, for example, such information was erroneously provided to parties who are not permitted to have the information or where such information was intercepted or otherwise compromised by third parties), we could be exposed to litigation or regulatory sanctions under privacy and data protection laws and regulations. Concerns regarding the effectiveness of our measures to safeguard PII, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers and thereby reduce our revenues. Accordingly, any failure, or perceived failure, to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties and could damage our reputation and otherwise adversely affect our operations, financial condition and results of operations. RISKS RELATED TO ACCOUNTING AND TAXATION Changes in the value of goodwill and intangible assets could reduce our earnings. The Company accounts for goodwill and other intangible assets in accordance with generally accepted accounting principles (" GAAP "), which, in general, requires that goodwill not be amortized, but rather that it be tested for impairment at least annually **or upon the occurrence of a triggering event** at the reporting unit level. Testing for impairment of goodwill ~~is performed annually and~~ involves the identification of the reporting unit and the estimation of fair value. The estimation of fair values involves a high degree of judgment and subjectivity in the assumptions used. Changes in the local and national economy, the federal and state legislative and regulatory environments for financial institutions, the stock market, interest rates and other external factors (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability, and may materially impact the fair value of publicly traded financial institutions and could result in an impairment charge at a future date **. In addition, our stock has been trading below book value since this first quarter of 2023, which increases the risk of an interim quantitative goodwill impairment test and potential for a related impairment charge. Refer to " Critical Accounting Policies and Estimates — Goodwill " under Item 7 for additional information** . Changes in tax laws could have an adverse effect on us, the banking industry, our customers, the value of collateral securing our loans and demand for loans. We are subject to the effect of changes in tax laws which could increase the effective tax rate payable by us to federal, state and municipal governments, reduce the value of our beneficial tax attributes or otherwise adversely affect our business, results of operations or financial condition. Additionally, changes in tax laws could have a negative impact on the banking industry, borrowers, the market for single family residential or commercial real estate or business borrowing. To the extent that changes in law discourage borrowing, ownership of real property or business investment, such changes may have an adverse effect on the demand for our loans. Further, the value of the properties securing loans in our portfolio may be adversely impacted as a result of the changing economics of real estate ownership and borrowing, which could require an increase in our ACL, which would reduce our profitability and could materially adversely affect our business, financial condition and results of operations. Additionally, certain borrowers could become less able to service their debts as a result of changes in taxation. Any such changes could adversely affect our business, financial condition and results of operations. Changes in accounting standards could impact our financial condition and results of operations. From time to time there are changes in the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be operationally complex to implement and can materially impact how we record and report our financial condition and results of operations. In some instances, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. Any such changes ~~(while not anticipated)~~ could adversely affect the Company' s and Bank' s capital, regulatory capital ratios, ability to make larger loans, earnings and performance metrics. RISKS RELATED TO THE USE OF TECHNOLOGY Our operations, including our transactions with customers, are increasingly conducted via electronic means, and this has increased risks related to cybersecurity. We are exposed to the risk of cyber- attacks in the normal course of business. In addition, we are exposed to cyber- attacks on vendors and merchants that affect us and our customers. In general, cyber incidents can result from deliberate attacks or unintentional events. We have observed an increased level of attention in the industry focused on cyber- attacks that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. ~~To combat against these attacks,~~ **Despite our efforts to develop and implement** policies and procedures ~~are in place~~ to identify, protect, detect, respond and recover from the possible security breach of our information systems and cyber- fraud **, we may not be able to anticipate, detect or implement effective protective measures against all cyber- attacks, including because the techniques used are increasingly sophisticated, change frequently and are often not recognized until launched. Cyber- attacks can originate from a variety of sources, including third parties affiliated with or sponsored by foreign governments or involved with organized crime or terrorist organizations** . While we maintain insurance coverage that may, subject to policy terms and conditions including significant self- insured deductibles, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. While we have not incurred any material losses related to cyber- attacks, we may incur substantial costs and suffer other negative consequences if we fall victim to successful cyber- attacks. Such negative consequences could include remediation costs that may include liability for stolen assets or information and repairing system damage that may have been caused; deploying additional personnel and protection technologies, training employees and engaging third- party experts and consultants; lost revenues resulting from unauthorized use of proprietary information or the failure to retain or attract customers following an attack; disruption or failures of physical infrastructure, operating systems or networks that support our business and customers resulting in the loss of customers and business opportunities; additional regulatory scrutiny and possible regulatory penalties; litigation; and reputational damage adversely affecting customer or investor confidence. A breach or interruption of information security or cyber- related threats could negatively affect our **business, financial condition or** earnings. We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. Although we maintain insurance coverage that may, subject to policy terms and conditions including significant self- insured deductibles, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. The occurrence of any failures, interruptions or security breaches of our information systems could damage our reputation, adversely affect customer or investor confidence, result in a loss of customer business, subject us to additional regulatory scrutiny and possible regulatory penalties or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations ~~. As of May 1, 2022, the Company is required to notify its primary federal regulator of any significant computer security event that has, or is reasonably likely to have, a material effect on the viability of the organization' s banking operations, its ability to deliver banking products and services or the stability of the financial sector, pursuant to a rule approved by the Office of the Comptroller of the Currency (" OCC"), FRB and FDIC. This rule also covers service providers when the provider determines that it has experienced such a computer- security incident. This notification must be made no later than 36 hours after the banking organization determines that a cyber incident has occurred. This new rule became effective on April 1, 2022, with a compliance date of May 1, 2022. The Company has implemented internal processes to ensure compliance with this rule~~. Failure to keep up with the rapid technological changes in the financial services industry could have a material adverse effect on our competitive position and profitability. The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and reduce costs. Our future success will depend, in part, upon our ability to address the needs of customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to implement new technology- driven products and services effectively or be successful in marketing these products and services to customers. Failure to successfully keep pace with technological change affecting the financial services industry could harm our ability to compete effectively and could have a material adverse effect on our business, financial condition or results of operations. As these technologies are improved in the future, we may be required to make significant capital expenditures in order to remain competitive, which may increase our overall expenses and have a material adverse effect on our business, financial condition and results of operations. We depend on the use of data and modeling in both management' s decision- making, generally, and in meeting regulatory expectations, in particular. The use of statistical and quantitative models and other quantitatively- based analyses is endemic to bank decision- making and regulatory compliance processes and the employment of such analyses is becoming increasingly widespread in our operations. Liquidity stress testing, interest rate sensitivity analysis, allowance for credit loss measurement, portfolio stress testing, assessing capital adequacy and the identification of possible violations of anti- money laundering regulations are examples of areas in which we are dependent on models and the data that underlies them. We anticipate that model- derived insights will be used more widely in decision- making in the future. While these quantitative techniques and approaches **are intended to** improve our decision- making, they also create the possibility that faulty data, flawed quantitative approaches or poorly designed or implemented models could yield adverse or faulty outcomes and decisions, and could result in regulatory scrutiny. Secondarily, because of the complexity inherent in these approaches, misunderstanding or misuse of their outputs could similarly result in suboptimal decision- making, which could have a material adverse effect on our business, financial condition, results of operations and share price. GENERAL RISKS The price of our common stock may fluctuate significantly, which may make it difficult for investors to resell shares of common stock at a time or price they find attractive. Our stock price may fluctuate significantly as a result of a variety of factors, many of which are beyond our control. In addition to those described in " Caution About Forward Looking Statements, " these factors include: • Actual or anticipated quarterly fluctuations in our operating results and financial condition; • Changes in financial estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to us or other financial institutions; • Reports in the press, internet or investment community generally or relating to our reputation or the financial services industry, whether or not those reports are based on accurate, complete or transparent information; • Uncertainties related to our regulatory relationships or status; • Strategic actions by us or our competitors, such as acquisitions, restructurings, dispositions or financings; • Fluctuations in the stock price and operating results of our competitors **, or the financial services industry** ; • Future sales of our equity or equity- related securities; • Proposed or adopted regulatory changes or developments; • Domestic and international economic and political factors unrelated to our performance; • Actions of one or more investors in selling our common stock short; and • General market conditions and, in particular, developments related to market conditions for the financial services industry, inclusive of the potential adverse impact from: ~~o~~ ▪ Terrorism, and current or anticipated military conflicts ~~, including escalating military tensions between Russia and Ukraine~~ and other geopolitical events; ~~o~~ ▪ Catastrophic events, including natural disasters, and public health crises. In addition, the stock market in general has experienced price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our operating results. We expect that the market price of our common stock will continue to fluctuate and there can be no assurances about the levels of the market prices for our common stock.