Risk Factors Comparison 2024-03-29 to 2023-03-27 Form: 10-K

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The material risks that management believes affect the Company are described below. You should carefully consider the risks as described below, together with all of the information included herein. The risks described below are not the only risks the Company faces. Additional risks not presently known also may have a material adverse effect on the Company' s results of operations and financial condition. Risks Related to Our Lending Activities Because we intend to continue to increase our commercial loans, our credit risk may increase. At December 31, ~~2022~~ **2023** , our commercial loans totaled $ ~~552~~ **737. 9 million, or 61** . 1 ~~million, or 58. 2~~ % of our total loans, including $ ~~464~~ **612** . ~~7~~ **5** million of Commercial Litigation- Related Loans, which represented ~~84~~ **83** . ~~2~~ **0** % of our commercial loans. We intend to increase our originations of commercial loans, including our Commercial Litigation- Related Loans, which consist of working capital lines of credit, case cost lines of credit, term loans to law firms, and other commercial litigation- related loans. These loans generally have more risk than 1 – 4 family mortgage loans and commercial loans secured by real estate. Since repayment of commercial loans, including our Commercial Litigation- Related Loans, depends on the successful receipt of settlement proceeds or the successful management and operation of the borrower' s businesses, repayment of such loans can be affected by adverse court decisions and adverse conditions in the local and national economy. Commercial Litigation- Related Loans present unique credit risks in that attorney or law firm revenues can be volatile depending on the number of cases, the timing of court decisions, the timing of the overall judicial process, and the timing of those settlements as well as related payments on those settlements. In our experience, an average case can take two to four years to litigate and settle. Determining the value of an attorney' s or law firm' s case inventory (borrowing base) is also inherently an imprecise exercise. Though repayment of case lines is not dependent on a favorable case settlement, unfavorable outcomes can ultimately impact the cash flows of the borrower. An adverse development with respect to one loan or one Commercial Litigation- Related Loan credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a 1 – 4 family mortgage loan or a commercial real estate loan. Because we plan to continue to increase our originations of these loans, commercial loans generally have a larger average size as compared with other loans such as commercial real estate loans, and the collateral for commercial loans is generally less readily- marketable, losses incurred on a small number of commercial loans could have a disproportionate and material adverse impact on our financial condition and results of operations. A substantial portion of our loan portfolio consists of multifamily real estate loans and commercial real estate loans, which have a higher degree of risk than other types of loans. At December 31, ~~2022~~ **2023** , we had $ ~~262~~ **348** . ~~5~~ **2** million of multifamily loans and $ ~~91~~ **89** . ~~8~~ **5** million of commercial real estate loans. Multifamily and commercial real estate loans represented ~~37~~ **36** . ~~4~~ **2** % of our total loan portfolio at December 31, ~~2022~~ **2023** . Multifamily and commercial real estate loans are often larger and involve greater risks than other types of lending because payments on such loans are often dependent on the successful operation or development of the property or business involved. Repayment of such loans is often more sensitive than other types of loans to adverse conditions in the real estate market or the general business climate and economy. Accordingly, a downturn in the real estate market and a challenging business and economic environment may increase our risk related to multifamily and commercial real estate loans. Unlike 1 – 4 family mortgage loans, which generally are made on the basis of the borrower' s ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, multifamily and commercial real estate loans typically are made on the basis of the borrower' s ability to make repayment from the cash flow of the commercial venture. If the cash flow from business operations is reduced, the borrower' s ability to repay the loan may be impaired. Due to the larger average size of each multifamily and commercial real estate loan as compared with other loans such as 1 – 4 family loans, as well as collateral that is generally less readily- marketable, losses incurred on a small number of multifamily and commercial real estate loans could have a material adverse impact on our financial condition and results of operations. We expect to increase our purchases or originations of consumer loans, and such loans generally carry greater risk than loans secured by owner- occupied, 1 – 4 family real estate, and these risks will increase as we continue to increase originations of these types of loans. At December 31, ~~2022~~ **2023** , our consumer held for investment loans totaled $ ~~16~~ **14** . ~~6~~ **5** million, or 1. ~~7~~ **2** % of our total loan portfolio, of which $ 2. ~~7~~ **4** million, or 16. ~~0~~ **6** %, were post- settlement consumer loans. Consumer loan collections are dependent on the borrower' s continuing financial stability and are therefore more likely to be affected by adverse personal circumstances, such as a loss of employment or unexpected medical costs. While our Consumer Litigation- Related Loans, which consist of post- settlement consumer loans, are typically well secured by the settlement amount, we can still be exposed to the financial stability of the borrower as a result of unforeseen rulings or administrative legal anomalies with a particular borrower' s settlement that eliminate or greatly reduce their settlement amount. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit our ability to recover on such loans. As we increase our purchases or originations of consumer loans, it may become necessary to increase our provision for ~~loan~~ **credit** losses in the event our losses on these loans increase, which would reduce our profits. A substantial majority of our loans and operations are in New York, and therefore our business is particularly vulnerable to a downturn in the New York City economy. Unlike larger financial institutions that are more geographically diversified, a large portion of our business is concentrated primarily in the state of New York, and in New York City in particular. As of December 31, ~~2022~~ **2023** , ~~50~~ **35** . ~~8~~ **5** % of our loan portfolio was in New York and our loan portfolio had concentrations of ~~40~~ **26** . ~~2~~ **0** % in New York City. If the local economy, and particularly the real estate market, declines, the rates of delinquencies, defaults, foreclosures, bankruptcies and losses in our loan portfolio would likely increase. As a result of this lack of diversification in our loan portfolio, a downturn in the local economy generally and real estate market specifically could significantly reduce our profitability and growth and adversely affect our financial condition. If the allowance for ~~loan~~ **credit** losses is not sufficient to cover actual ~~loan~~ **credit** losses, earnings could decrease. Loan customers may not repay their loans according to the terms of their loans, and the collateral securing the payment of their loans may be insufficient to assure repayment. We may experience significant credit losses, which could have a material adverse effect on our operating results. Various assumptions and judgments about the collectability of the loan portfolio are made, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of many loans. In determining the amount of the allowance for ~~loan~~ **credit** losses, management reviews the loans and the loss and delinquency experience and evaluates economic conditions. At December 31, ~~2022~~ **2023** , our allowance for ~~loan~~ **credit** losses as a percentage of total loans, net of unearned income, was 1. ~~29~~ **38** %. The determination of the 26appropriate level of allowance is subject to judgment and requires us to make significant estimates of current credit risks and trends, all of which are subject to material changes. If assumptions prove to be incorrect, the allowance for ~~loan~~ **credit** losses may not cover probable incurred losses in the loan portfolio at the date of the financial statements. Significant additions to the allowance would materially decrease net income. We had **one nonperforming multifamily loan totaling** $ **10. 9 million** ~~4 thousand in nonperforming loans~~ at December 31, ~~2022~~ **2023** . Nonperforming loans may increase and nonperforming or delinquent loans may adversely affect future performance. In addition, federal and state regulators periodically review the allowance for ~~loan~~ **credit** losses and may require an increase in the allowance for ~~loan~~ **credit** losses or recognize further loan charge- offs. Any significant increase in our allowance for ~~loan~~ **credit** losses or loan charge- offs as required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition. Bank regulators periodically review our allowance for ~~loan~~ **credit** losses and may require an increase to the provision for ~~loan~~ **credit** losses or further loan charge- offs. Any increase in our allowance for ~~loan~~ **credit** losses or loan charge- offs as required by these regulatory authorities may have a material adverse effect on our results of operations or financial condition. The **estimation of expected** ~~FASB issued an accounting standard update that will result in a significant change in how the Company recognizes~~ credit losses ~~,~~ **under current US GAAP may create volatility in earnings as compared to previous models** which may have a material impact on its financial condition or results of operations. In June 2016, the FASB issued an accounting standard update, " Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, " which ~~replaces~~ **replaced** the current " incurred loss " model for recognizing credit losses with an " expected loss " model referred to as the CECL model. Under the CECL model, the Company **is** ~~will be~~ required to present certain financial assets carried at amortized cost, such as loans held for investment and ~~HTM~~ **held- to- maturity** debt securities, at the net amount expected to be collected. The measurement of expected credit losses is ~~to be~~ based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement ~~will take~~ **takes** place at the time the financial asset is first entered into and periodically thereafter. This differs significantly from the " incurred loss " model **previously** required under current GAAP, which delays recognition until it is probable a loss has been incurred. The CECL model may create more volatility in the level of the ~~ALLL~~ **allowance for credit losses (" ACL ")** . If the Company is required to materially increase its level of the ~~ALLL~~ **ACL** for any reason, such increase could adversely affect its business, financial condition and results of operations. Our loan portfolio is unseasoned. With a growing and generally unseasoned loan portfolio, our credit risk may continue to increase and our future performance could be adversely affected. While we believe we have underwriting standards designed to manage normal lending risks, it is difficult to assess the future performance of our loan portfolio due to the recent origination of many of these loans. As a result, it is difficult to predict whether any of our loans will become nonperforming or delinquent loans, or whether we will have any nonperforming or delinquent loans that will adversely affect our future performance. At December 31, ~~2022~~ **2023** , the weighted average age of our loans was ~~5~~ **6** . ~~55~~ **62** years, 2. ~~69~~ **64** years, **2. 33 years, 3. 30 years and** 1. **07** ~~45 years, 2. 97 years and 1. 02~~ years for our 1 – 4 family loans, multifamily loans, commercial real estate loans, commercial loans and consumer loans, respectively. At December 31, ~~2022~~ **2023** , the weighted average age of our loan portfolio was ~~2~~ **3** . ~~78~~ **06** years, however, the average customer relationship is of a longer term. We may not be able to adequately measure and limit the credit risk associated with our loan portfolio, which could adversely affect our profitability. As a part of the products and services that we offer, we make commercial, consumer and commercial real estate loans. The principal economic risk associated with each class of loans is the creditworthiness of the borrower, which is affected by the strength of the relevant business market segment, local market conditions, and general economic conditions. Additional factors related to the credit quality of commercial loans include the quality of the management of the business and the borrower' s ability both to properly evaluate changes in the supply and demand characteristics affecting their market for products and services, and to effectively respond to those changes. Additional factors related to the credit quality of consumer loans, particularly consumer post- settlement loans, include the quality of the post- settlement claim and unforeseen court rulings or administrative legal anomalies which could impact the final settlement amount. Additional factors related to the credit quality of commercial real estate loans include tenant vacancy rates and the quality of management of the property. A failure to effectively measure and limit the credit risk associated with our loan portfolio could have an adverse effect on our business, financial condition, and results of operations. 27Risks Related to our BusinessWe have **recently** ~~a limited operating history and have~~ experienced significant growth, which makes it difficult to forecast our revenue and evaluate our business and future prospects. ~~We have only been in existence since 2006, and from~~ **From** 2016 through ~~2022~~ **2023** , we experienced significant growth following our initial public offering, a capital raise and the conversion from a savings and loan holding company with a savings bank subsidiary to a bank holding company with a national bank subsidiary. As a result of our ~~limited operating history and~~ recent accelerated growth ~~, in particular in our payment processing business~~ , our ability to forecast our future results of operations and plan for and model future growth is limited and subject to a number of uncertainties. We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in the financial services industry, such as the risks and uncertainties described herein.

Accordingly, we may be unable to prepare accurate internal financial forecasts and our results of operations in future reporting periods may be below the expectations of investors. If we do not address these risks successfully, our results of operations could differ materially from our estimates and forecasts or the expectations of our stockholders, causing our business to suffer and our stock price to decline. A substantial portion of our business is dependent on the prospects of the legal industry and changes in the legal industry may adversely affect our growth and profitability. We depend on our relationships within the legal community and our products and services tailored to the legal industry account for a significant source of our revenue. As we intend to focus our growth on our Litigation- Related Loan products, changes in the legal industry, including a significant decrease in the number of litigation cases in the United States, reform of the tort industry that reduces the ability of plaintiffs to bring cases or reduces the damages plaintiffs can receive, or a significant increase in the unemployment rate for attorneys, could, individually or in the aggregate, have a material adverse effect on our profitability, financial condition and growth of our business. A lack of liquidity could adversely affect the Company' s financial condition and results of operations. Liquidity is essential to the Company' s business. The Company relies on its ability to generate deposits and effectively manage the repayment of its liabilities to ensure that there is adequate liquidity to fund operations. An inability to raise funds through deposits, borrowings, the sale and maturities of loans and securities and other sources could have a substantial negative effect on liquidity. The Company' s most important source of funds is its deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk adjusted return, which are strongly influenced by such external factors as the direction of interest rates, local and national economic conditions and the availability and attractiveness of alternative investments. Further, the demand for deposits may be reduced due to a variety of factors such as current negative trends in the banking sector, the level of and / or composition of our uninsured deposits, demographic patterns, changes in customer preferences, reductions in consumers' disposable income, the monetary policy of the FRB or regulatory actions that decrease customer access to particular products. If customers move money out of bank deposits and into other investments such as money market funds, the Company would lose a relatively low- cost source of funds, which would increase its funding costs and reduce net interest income. Any changes made to the rates offered on deposits to remain competitive with other financial institutions may also adversely affect profitability and liquidity. Other primary sources of funds consist of cash flows from operations, maturities and sales of investment securities and / or loans, brokered deposits, borrowings from the FHLB of New York and / or FRB discount window, and unsecured borrowings. The Company also may borrow funds from third- party lenders, such as other financial institutions. The Company' s access to funding sources in amounts adequate to finance or capitalize its activities, or on terms that are acceptable, could be impaired by factors that affect the Company directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry, a decrease in the level of the Company' s business activity as a result of a downturn in markets or by one or more adverse regulatory actions against the Company or the financial sector in general. Any decline in available funding could adversely impact the Company' s ability to originate loans, invest in securities, meet expenses, or to fulfill obligations such as meeting deposit withdrawal demands, any of which could have a material adverse impact on its liquidity, business, financial condition and results of operations. 28The loss of our deposit clients or substantial reduction of our deposit balances could force us to fund our business with more expensive and less stable funding sources. As of December 31, ~~2022~~ **2023** , approximately $ ~~310~~ **381** . ~~4~~ **6** million, or ~~25~~ **27** . ~~3~~ **1** %, of our total Bank deposits of $ 1. ~~2~~ **4** billion, were not FDIC insured. This excludes $ ~~10~~ **5** . 5 million of the Company' s deposits held by the Bank. We have traditionally obtained funds through deposits for use in lending and investment activities. The interest rates stated for borrowings typically exceed the interest rates paid on deposits. Deposit outflows can occur for a number of reasons, including; clients may seek investments with higher yields, clients with uninsured deposits may seek greater financial security during prolonged periods of volatile and unstable market conditions or clients may simply prefer to do business with our competitors, or for other reasons. If a significant portion of our deposits were withdrawn, 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, results of operations or financial condition. The Bank has deposit accounts whose ownership is based on a fiduciary relationship, which management evaluates to identify an appropriate estimate of FDIC insurance coverage, and such estimates may underreport the amount of the Bank' s uninsured deposits. The Bank has deposit accounts whose ownership is based on a fiduciary relationship. Part 330 of the FDIC' s regulations generally states that the titling of the deposit account (together with the underlying records) must indicate the existence of the fiduciary relationship in order for insurance coverage to be available on a" pass- through" basis. Fiduciary relationships include, but are not limited to, relationships involving a trustee, agent, nominee, guardian, executor, or custodian. A bank with fiduciary deposit accounts with balances of more than $ 250, 000 must diligently use the available data on these deposit accounts, including data indicating the existence of different principal and income beneficiaries to determine its best estimate of the uninsured portion of these accounts. As of December 31, ~~2022~~ **2023** , the Company had approximately $ ~~564~~ **684** . ~~0~~ **2** million of law firm escrow (or trust) deposits that were evaluated by management to identify an appropriate estimate of FDIC insurance coverage that passes through each deposit account to the beneficial owner of the funds held in the account. To a lesser extent, the Bank maintains fiduciary accounts for our qualified settlement fund relationships as well as bankruptcy trustee relationships where management estimates are also employed to determine FDIC coverage. Management' s uninsured balance estimate may understate the amount of the Bank' s uninsured deposits and may not reflect the assessment of the FDIC if the Bank is placed into receivership. Such understated amounts of uninsured deposits would result in less deposit insurance coverage available to our depositors and could materially and adversely affect our business, results of operations or financial condition. Reputational risk and social factors may impact our results and damage our brand. Our ability to attract and retain customers is highly dependent upon the perceptions of borrower customers and deposit holders and other external perceptions of our products, services, trustworthiness, business practices, workplace culture, compliance practices or our financial health. In addition, our brand is very important to us.

Maintaining and enhancing our brand depends largely on our ability to continue to provide high- quality products and services. Adverse perceptions regarding our reputation could lead to difficulties in generating and maintaining customers as well as in financing their needs. In particular, negative public perceptions regarding our reputation, including 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. 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 (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. In addition, third parties with whom we have relationships may take actions over which we have limited control that could negatively impact perceptions about us or the financial services industry. The proliferation of social media may increase the likelihood that negative information about the Bank, whether or not the information is accurate, could impact our reputation and business. Once 29information has spread through social media, it can be difficult to address it effectively, either by correcting inaccuracies or communicating remedial steps taken to address actual issues. We may incur losses related to our exposure to NFL consumer post- settlement loans through our equity method investment in a third party sponsored variable interest entity. On April 1, 2022, the Company finalized the sale of its legacy NFL consumer post settlement loan portfolio to a third party sponsored entity (or " Fund ") in exchange for a nonvoting economic interest in the Fund as the loan portfolio' s duration has extended over several years as a result of revisions to various claims administration protocols, the ongoing effects of the pandemic, revisions to qualifying physician requirements and the controversial use of race- based norms on former NFL players' concussion claims. The following summarizes the chronology of related events and its impact to our risk: On December 10, 2018, the United States District Court for the Eastern District of Pennsylvania (the " Court ") appointed a special investigator in the NFL Concussion Injury Litigation (Case No. 12- md- 2323) to ensure the integrity of the NFL Concussion Settlement Program, the efficient processing of valid claims, and impose appropriate sanctions if wrongdoing is found in response to allegations of fraudulent claims. Additionally, on May 8, 2019, the Court modified the rules regarding qualifying physicians by limiting NFL claimants to utilizing doctors in their immediate area (a range of 150 miles from the claimant' s home address). We believe that these Court rulings, including other administrative processes enacted by the claims administrator, have extended the duration of the Fund' s assets which may increase its credit risk and our risk of loss of our investment. Although we have not encountered any such fraud at this time within our portfolio, if it is determined that any of the Fund' s NFL loan borrowers or others committed fraud when filing their application to the NFL Concussion Settlement Program or to Esquire Bank as originator for the related loan, we may experience a loss on our investment, which could have an adverse effect on our operating results ~~. Additionally, the continuing COVID- 19 health crisis may also extend the duration of the Fund' s loan portfolio~~ . Specifically, the uncertainty related to our borrowers' (" claimants ") access to qualified testing, doctors, their attorneys and other administrative support, has introduced incremental duration risk which may further extend the settlement of claims and payoff of the NFL loans beyond the contractual maturity. Moreover, in August 2020, certain former NFL players filed lawsuits with the Court challenging the use of " race norming " to systematically disfavor Black players who submitted claims in the NFL Concussion Settlement Program. In general, the lawsuits alleged that " race- norming " was being used in the claims administration process to artificially reduce estimates of Black players' pre- concussion cognitive functioning levels thereby concluding that Black players suffered lesser impairments from their concussions than their medical diagnoses and tests otherwise indicated. As a result, the plaintiffs allege that Black claimants were determined not to qualify for settlement payments despite sustaining incapacitating injuries comparable to their white counterparts. In March 2021, the Court dismissed one of the lawsuits on procedural grounds. On June 2, 2021, the NFL and class counsel voluntarily pledged to abandon " race- norming " in the assessment of all settlement claims both prospectively and retrospectively. On October 23, 2021, there was further agreement that no race norms or race demographic estimates shall be used in the settlement program going forward and the NFL will not be able to appeal to settlement administrators to require race norms be applied. On March 4, 2022 **,** the Court formally approved an agreement to eliminate any consideration of race in the Settlement Program and modified the neuropsychological testing protocol. Overall, we believe this may represent a positive development for NFL claimants but may again further extend the NFL portfolio duration as the claim settlement process is re- calibrated and new claims protocols are developed for retrospective and prospective claims. If the processing of claims for the Fund' s loan portfolio continues to extend beyond our maturity for these loans due to the aforementioned fraud, revisions to qualifying physician requirements, ~~effects of the pandemic,~~ revised protocols due to " race- norming " claims, or the additional administrative processes, portfolio delinquencies, credit downgrades and further losses as the result of possible charge- offs of these loans could occur or increase in the future, which would negatively impact our investment. As of December 31, ~~2022~~ **2023** , the carrying amount of our investment in the ~~fund~~ **Fund** and our total exposure is $ ~~12~~ **10** . 6 million. As a business operating in the financial services industry, our business and operations may be adversely affected in numerous and complex ways by weak economic conditions. Our business and operations, which primarily consist of lending money to customers in the form of loans, borrowing money from customers in the form of deposits and investing in securities, are sensitive to general business and economic ~~30conditions~~ -- **conditions** in the United States. If the U. S. economy weakens, our growth and profitability from our lending, deposit and investment operations could be constrained. Uncertainty about the federal fiscal policymaking process, the medium and ~~long~~ **30long** - term fiscal outlook of the federal government, and future tax rates is a concern for businesses, consumers and investors in the United States. In addition, economic conditions in foreign countries could affect the stability of global financial markets, which could hinder U. S. economic growth. Weak economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, a lack of liquidity and / or depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, 1 – 4 family and commercial real estate price declines and lower home sales and commercial activity. All of these factors are detrimental to our business, and the interplay between these factors can be complex and unpredictable. Our business is also significantly affected by monetary and related policies of the U. S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. Inflation could also negatively impact us through rising costs and interest rates. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition, results of operations and prospects. We may not be able to grow, and if we do we may have difficulty managing that growth. Our business strategy is to continue to grow our assets and expand our operations, including through potential strategic acquisitions. Our ability to grow depends, in part, upon our ability to expand our market share, successfully attract core deposits, and to identify loan and investment opportunities as well as opportunities to generate fee- based income. We can provide no assurance that we will be successful in increasing the volume of our loans and deposits at acceptable levels and upon terms acceptable to us. We also can provide no assurance that we will be successful in expanding our operations organically or through strategic acquisition while managing the costs and implementation risks associated with this growth strategy. We expect to continue to experience growth in the number of our employees and customers and the scope of our operations. Our success will depend upon the ability of our officers and key employees to continue to implement and improve our operational and other systems, to manage multiple, concurrent customer relationships, and to hire, train and manage our employees. In the event that we are unable to perform all these tasks and meet these challenges effectively, including continuing to attract core deposits, our operations, and consequently our earnings, could be adversely impacted. Our ten largest deposit clients account for ~~19~~ **26** . ~~3~~ **2** % of our total deposits. As of December 31, ~~2022~~ **2023** , our ten largest bank depositors accounted for, in the aggregate, ~~19~~ **26** . ~~3~~ **2** % of our total deposits. As a result, a material decrease in the volume of those deposits by a relatively small number of our depositors could reduce our liquidity, in which event it could became necessary for us to replace those deposits with higher- cost deposits or FHLB borrowings, which would adversely affect our net interest income and, therefore, our results of operations. Risks Related to Market Interest RatesInterest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations. The ~~FRB decreased benchmark interest rates significantly, to near zero, in response to the COVID- 19 pandemic. The FRB has reversed its policy of near zero interest rates given its concerns over inflation. Market interest rates have risen in response to the FRB' s rate increases. These policies can thus affect the activities and results of operations of financial institutions. The actions of the FRB influence the rates of interest that we charge on loans and that we pay on borrowings and interest- bearing deposits. Rates of interest can also affect the value of our on- balance sheet and off- balance sheet financial instruments. Thus, the increase in market interest rates may have an adverse effect on our net interest income and profitability. Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations. The~~ majority of our banking assets are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings and cash flows depend to a great extent upon the level of our net interest income, or the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we ~~31pay~~ -- **pay** on interest bearing liabilities, such as deposits and borrowings. Changes in interest rates can increase or decrease our net interest income, 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 reprice more quickly, or to a greater degree than interest earning assets in a period, an increase in interest rates could reduce net interest income. Similarly, when interest earning assets mature or reprice more quickly, or to a greater degree than interest bearing liabilities, falling interest rates could reduce net interest income. Additionally, an increase in interest rates may, among other things, reduce the demand for loans and our ability to originate loans and decrease loan repayment rates. A decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan portfolio and increased competition for deposits. Accordingly, changes in the level of market interest rates affect our net yield on interest earning assets, loan origination volume and our overall results. Although our asset- liability management strategy is designed to control and mitigate exposure to the risks related to changes in market interest rates, those rates are affected by many factors outside of our control, including governmental monetary policies, inflation, deflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets. ~~Risks~~ **31Risks** Related to OperationsInflation can have an adverse impact on our business and on our customers. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Over the past year, in response to a pronounced rise in inflation, the FRB has raised certain benchmark interest rates to combat inflation. As discussed above under " Risks Related to Market Interest Rates – Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations, " as inflation increases and market interest rates rise the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our non- interest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us. Sustained higher interest rates by the FRB to tame persistent inflationary price pressures could also push down asset prices and weaken economic activity. A deterioration in economic conditions in the United States and our markets could result in an increase in loan delinquencies and non- performing assets, decreases in loan collateral values and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition and results of operations. We are exposed to the risks of natural disasters and global market disruptions. We handle a substantial volume of customer and other financial transactions every day. Our financial, accounting, data processing, check processing, electronic funds transfer, loan processing, online and mobile banking, automated teller machines, backup or other operating or security systems and infrastructure may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. This could adversely affect our ability to process these transactions or provide these services. There could be a sudden change in customer transaction volume, electrical, telecommunications or other major physical infrastructure outages, natural disasters, events arising from local or larger scale political or social matters, including terrorist acts, pandemics, and cyber- attacks. We continuously update these systems to support our operations and growth. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones. Operational risk exposures could adversely impact our results of operations, liquidity and financial condition, and cause reputational harm. Additionally, global markets may be adversely affected by natural disasters, inflation, the emergence of widespread health emergencies or pandemics, cyber- attacks or campaigns, military conflict, including the war in Ukraine, terrorism or other geopolitical events. Global market disruptions may affect our business liquidity. Also, any sudden or prolonged market downturn in the United States or abroad, as a result of the above factors or otherwise could result in a decline in revenue and adversely affect our results of operations and financial condition, including capital and liquidity levels. ~~32We~~ **We** rely heavily on our management team and our business could be adversely affected by the unexpected loss of one or more of our officers. We are led by a management team with substantial experience in the markets that we serve and the financial products that we offer. Our operating strategy focuses on providing products and services through long- term relationship managers. Accordingly, our success depends in large part on the performance of our key officers, as well as on our ability to attract, motivate and retain highly qualified senior and middle management. Competition for employees is intense, and the process of identifying key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. We may not be successful in retaining our key employees and the unexpected loss of services of one or more of our officers could have a material adverse effect on our business because of their skills, knowledge of our market and financial products, years of industry experience, long- term business and customer relationships and the difficulty of finding qualified replacement personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, which could have an adverse effect on our business, financial condition and results of operations. ~~We~~ **32We** are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors. Employee errors and employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence. We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations. The Company' s controls and procedures may fail or be circumvented. Our management and board review and update the Company' s internal controls over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure to follow or circumvention of these controls, policies and procedures could have a material adverse impact on our financial condition and results of operations. We face risks related to our operational, technological and organizational infrastructure. Our ability to grow and compete is dependent on our ability to build or acquire the necessary operational and technological infrastructure and to manage the cost of that infrastructure as we expand. Similar to other large corporations, operational risk can manifest itself in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees or outside persons and exposure to external events. As discussed below, we are dependent on our operational infrastructure to help manage these risks. In addition, we are heavily dependent on the strength and capability of our technology systems which we use both to interface with our customers and to manage our internal financial and other systems. Our ability to develop and deliver new products that meet the needs of our existing customers and attract new ones depends on the functionality of our technology systems. Additionally, our ability to run our business in compliance with applicable laws and regulations is dependent on these infrastructures. We continuously monitor our operational and technological capabilities and make modifications and improvements when we believe it will be cost effective to do so. In some instances, we may build and maintain these capabilities ourselves. We also outsource some of these functions to third parties. Specifically, we depend on third parties to provide our core systems processing, essential web hosting and other internet systems, deposit processing and other processing services. In connection with our payment processing business, we (and our ISOs) rely on various third parties to provide processing and clearing and settlement services to us in connection with card transactions. If these third- party service providers experience difficulties, fail to comply with banking regulations or terminate their services and we are unable to replace them with other service ~~33providers~~ -- **providers** , our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, financial condition and results of operations could be adversely affected, perhaps materially. Even if we are able to replace them, it may be at a higher cost to us, which could adversely affect our business, financial condition and results of operations. We also face risk from the integration of new infrastructure platforms and / or new third party providers of such platforms into its existing businesses. A failure in our operational systems or infrastructure, or those of third parties, could impair our liquidity, disrupt our businesses, result in the unauthorized disclosure of confidential information, damage our reputation and cause financial losses. Our business, and in particular, our payment processing business, is partially dependent on our ability to process and monitor, on a daily basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets. These transactions, as well as the information technology services we provide to clients, often must adhere to client- specific guidelines, as well as legal and regulatory standards. Due to the breadth of our client base and our geographical reach, developing and maintaining our operational systems and infrastructure is challenging, particularly as ~~a~~ **33a** result of rapidly evolving legal and regulatory requirements and technological shifts. Our financial, accounting, data processing or other operating systems and facilities, and, as discussed above, those the third- party service providers upon which we depend, may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as a spike in transaction volume, cyber- attack or other unforeseen catastrophic events, which may adversely affect our ability to process these transactions or provide services. The occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity- related incidents could have a material adverse effect on our business, financial condition and results of operations. Our operations rely on the secure processing, storage and transmission of confidential and other sensitive business and consumer information on our computer systems and networks, as well as those of our ISOs and processors. Under the card network rules and various federal and state laws, we are responsible for safeguarding such information. Although we take protective measures to maintain the confidentiality, integrity and availability of information across all geographic and product lines, and endeavor to modify these protective measures as circumstances warrant, the nature of the threats continues to evolve. As a result, our computer systems, software and networks are vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber- attacks and other events that could have an adverse security impact. Despite the defensive measures we take to manage our internal technological and operational infrastructure, these threats have in the past and may in the future originate externally from third parties such as foreign governments, organized crime and other hackers, and outsource or infrastructure- support providers and application developers, or may originate internally from within our organization. Given the increasingly high volume of our transactions, certain errors may be repeated or compounded before they can be discovered and rectified. In addition, security breaches or failures could result in the bank incurring liability to ISOs, members of the card network and card issuers in relation to our payment processing business. In particular, information pertaining to us and our customers is maintained, and transactions are executed, on the networks and systems of us, our customers and certain of our third- party partners, such as our online banking or reporting systems, ISO' s customers and merchants who are part of our payment processing business. The secure maintenance and transmission of confidential information, as well as execution of transactions over these systems, are essential to protect us and our customers against fraud and security breaches and to maintain our clients' confidence. Breaches of information security also may occur, and in infrequent cases have occurred, through intentional or unintentional acts by those having access or gaining access to our systems or our customers' or counterparties' confidential information, including employees. In addition, increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third- party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our customers and underlying transactions, as well as the technology used by our customers to access our systems. We cannot be certain that the security measures we or our ISOs or processors have in place to protect this sensitive data will be successful or sufficient to protect against all current and emerging threats designed to breach our systems or those of our ISOs or processors. Although we have developed, and continue to invest in, systems and processes that are designed to detect and prevent security breaches and cyber- attacks and periodically test our security, a breach of ~~34our -~~ - **our** systems, or those of our ISOs or processors, could result in losses to us or our customers; loss of business and / or customers; damage to our reputation; the incurrence of additional expenses (including the cost of notification to consumers, credit monitoring and forensics, and fees and fines imposed by the card networks); disruption to our business; our inability to grow our online services or other businesses; additional regulatory scrutiny or penalties; or our exposure to civil litigation and possible financial liability — any of which could have a material adverse effect on our business, financial condition and results of operations. If our ~~enterprise~~ risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected. Our ~~enterprise~~ risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including credit, liquidity, operational, regulatory compliance and reputational. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. If our ~~risk~~ **34risk** management framework proves ineffective, we could suffer unexpected losses and our business and results of operations could be materially adversely affected. ~~Risks Related to the COVID- 19 Pandemic The ongoing COVID- 19 pandemic and measures intended to prevent its spread could adversely affect the Company' s business activities, financial condition, and results of operations. Global health concerns relating to the COVID- 19 pandemic and related government actions taken to reduce the spread of the virus have affected the macroeconomic environment, both nationally and in the Company' s market area. Federal and state agencies may pass measures to address the economic and social consequences of the pandemic that could impact the Company' s financial results and have a destabilizing effect on financial markets, key market indices, and overall economic activity. Prolonged measures by public health or other governmental authorities encouraging or requiring significant restrictions on travel, assembly or other core business practices could harm the Bank' s business and that of its customers, in particular small to medium- sized business customers. Although the Company has business continuity plans and other safeguards in place, there is no assurance that they will be effective. A decline in economic conditions generally and a prolonged negative impact on small to medium- sized businesses, in particular, due to the COVID- 19 pandemic, could result in a material adverse effect on the Company' s business, financial condition, and results of operations and may heighten many of the known risks described herein and in other filings with the SEC.~~ Risks Related to Competitive MattersWe operate in a highly competitive industry and face significant competition from other financial institutions and financial services providers, which may decrease our growth or profits. Consumer and commercial banking as well as payment processing are highly competitive industries. Our market area contains not only a large number of community and regional banks, but also a significant presence of the country' s largest commercial banks. We compete with other state and national financial institutions, as well as savings and loan associations, savings banks, and credit unions, for deposits and loans. In addition, we compete with financial intermediaries, such as consumer finance companies, specialty finance companies, commercial finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds, and several government agencies, as well as major retailers, all actively engaged in providing various types of loans and other financial services, including payment processing. Competition for Litigation- Related Loans is derived primarily from a small number of nationally- oriented financial companies that specialize in this market as well as local community banks. Some of these companies are focused exclusively on loans to law firms, while others offer loans to plaintiffs as well. We also face significant competition from many larger institutions, including large commercial banks and third party processors that operate in the payment processing business, and our ability to grow that portion of our business depends on us being able to continue to attract and retain ISOs and merchants. Some of these competitors may have a long history of successful operations nationally as ~~35well~~ -- **well** as in our market area and greater ties to businesses or the legal community and more expansive banking relationships, as well as more established depositor bases, fewer regulatory constraints, and lower cost structures than we do. Competitors with greater resources may possess an advantage through their ability to maintain numerous banking locations in more convenient sites, to conduct more extensive promotional and advertising campaigns, or to operate a more developed technology platform. Due to their size, many competitors may offer a broader range of products and services, as well as better pricing for certain products and services than we can offer. For example, competitors with lower costs of capital may solicit our customers to refinance their loans with a lower interest rate. Further, increased competition among financial services companies due to the recent consolidation of certain competing financial institutions may adversely affect our ability to market our products and services. Technology has lowered barriers to entry and made it possible for banks and specifically finance companies to compete in our market area and for non- banks to offer products and services traditionally provided by banks. The financial services industry could become even more competitive as a result of legislative, regulatory, and technological changes and continued consolidation. Banks, securities firms, and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting), and payment processing. Our ability to compete successfully depends on a number of factors, including: (i) our ability to develop, maintain, and build upon long- term customer relationships based on quality service and high ethical standards; (ii) our ability to attract and retain qualified employees to operate our business effectively; (iii) our ability to expand our market position; (iv) the scope, relevance, and pricing of products and services that we offer to meet customer needs and demands; (v) the rate at which we introduce new products and services relative to our competitors; (vi) customer satisfaction with our level of service; and (vii) industry and general economic trends. Failure to perform in any of these areas could weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could harm our business, financial condition, and results of operations. Risks Related to our Payment Processing BusinessOur merchants or ISOs may be unable to satisfy obligations for which we may ultimately be liable. We are subject to the risk of our merchants or ISOs being unable to satisfy obligations for which we may ultimately be liable. If we are unable to collect amounts due from a merchant or ISO because of insolvency or other reasons, we may bear the loss for those full amounts. We manage our credit risk and attempt to mitigate our risk by obtaining cash reserves, both from merchants and ISOs, and through other contractual remedies. It is possible, however, that a default on such ~~obligations~~ **35obligations** by one or more of our ISOs or merchants, could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. Fraud by merchants or others could have a material adverse effect on our business and financial condition. We may be subject to liability for fraudulent transactions initiated by merchants or others. Examples of such fraud include when a merchant or other party knowingly uses a stolen or counterfeit card to make a transaction, or if a merchant intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. It is possible that incidents of fraud could increase in the future. Failure to effectively manage risk and prevent fraud would increase our chargeback liability or other liability. Increases in chargebacks or other liability could have a material adverse effect on our business, financial condition, and results of operations. Changes in card network rules, standards or fees could adversely affect our business or operations. In order to provide our payment processing services, we are members of the Visa and MasterCard networks. As such, we are subject to card network rules that could subject us or our ISOs and merchants to a variety of fines or penalties that may be assessed on us, our ISOs, and our merchants. The termination of our membership, or the revocation of registration of any of our ISOs, or any changes in card network rules or standards could increase the cost of operating our payment processor business or limit our ability to provide payment processing to or through our customers, and could have a material adverse effect on our business, financial condition and results of operations. From time to time, the card networks ~~36increase~~ -- **increase** the fees that they charge to acquirers and we charge to our merchants. It is possible that competitive pressures will result in us absorbing a portion of such increases in the future, which would increase our costs, reduce our profit margin and adversely affect our business and financial condition. In addition, the card networks require certain capital requirements. An increase in the required capital level would further limit our use of capital for other purposes. Risks Related to Laws and Regulation and Their EnforcementAs a bank holding company, the sources of funds available to us are limited. Any future constraints on liquidity at the holding company level could impair our ability to declare and pay dividends or repurchase our common stock. In some instances, notice to, or approval from, the FRB may be required prior to our declaration or payment of dividends or repurchase of common stock. Further, our operations are primarily conducted by our subsidiary, Esquire Bank, which is subject to significant regulation. Federal banking laws restrict the payment of dividends by banks to their holding companies, and Esquire Bank will be subject to these restrictions in paying dividends to us. Because our ability to receive dividends or loans from Esquire Bank is restricted, our ability to pay dividends to our stockholders and repurchase our common stock is also restricted. Additionally, the right of a bank holding company to participate in the assets of its subsidiary bank in the event of a bank- level liquidation or reorganization is subject to the claims of the bank' s creditors, including depositors, which take priority, except to the extent that the holding company may be a creditor with a recognized claim. Our business, financial condition, results of operations and future prospects could be adversely affected by the highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in any of them. As a bank holding company, we are subject to extensive examination, supervision and comprehensive regulation by various federal and state agencies that govern almost all aspects of our operations. These laws and regulations are not intended to protect our stockholders. Rather, these laws and regulations are intended to protect customers, depositors, the DIF and the overall financial stability of the U. S. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividend or distributions that Esquire Bank can pay to us, restrict the ability of institutions to guarantee our debt, and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles would require. Compliance with these laws and regulations is difficult and costly, and changes to these laws and regulations often impose additional compliance costs. ~~Our~~ **36Our** failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could adversely affect our results of operations, capital base and the price of our securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive. Likewise, the Company operates in an environment that imposes income taxes on its operations at both the federal and state levels to varying degrees. Strategies and operating routines have been implemented to minimize the impact of these taxes. Consequently, any change in tax legislation could significantly alter the effectiveness of these strategies. The net deferred tax asset reported on the Company' s balance sheet generally represents the tax benefit of future deductions from taxable income for items that have already been recognized for financial reporting purposes. The bulk of these deferred tax assets consists of deferred ~~loan~~ **credit** loss deductions and deferred compensation deductions. The net deferred tax asset is measured by applying currently- enacted income tax rates to the accounting period during which the tax benefit is expected to be realized. Federal regulators periodically examine our business, and we may be required to remediate adverse examination findings. The FRB, the OCC and the FDIC, periodically examine our business, including our compliance with laws and regulations. If, as a result of an examination, a federal banking agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin " unsafe or unsound " practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that ~~37can~~ -- **can** be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place us into receivership or conservatorship. If we become subject to any regulatory actions, it could have a material adverse effect on our business, results of operations, financial condition and growth prospects. We are subject to the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to material penalties. The Community Reinvestment Act (" CRA "), the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. A successful challenge to an institution' s performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity and restrictions on expansion activity. Private parties may also have the ability to challenge an institution' s performance under fair lending laws in private class action litigation. Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations. In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the FRB. An important function of the FRB is to regulate the money supply and credit conditions. Among the instruments used by the FRB to implement these objectives are open market purchases and sales of U. S. government securities, adjustments of the discount rate and changes in banks' reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits. The monetary policies and regulations of the FRB have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted. ~~We~~ **37We** face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti- money laundering statutes and regulations. The Bank Secrecy Act, the USA Patriot Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti- money laundering program and to file reports such as suspicious activity reports and currency transaction reports. We are required to comply with these and other anti- money laundering requirements. The federal banking agencies and Financial Crimes Enforcement Network are authorized to impose significant civil money penalties for violations of those requirements and have recently engaged in coordinated enforcement efforts against banks and other financial services providers with the U. S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans.

Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, results of operations and growth prospects. We could be adversely affected by the soundness of other financial institutions and other third parties we rely on. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional customers. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when our collateral cannot be foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Furthermore, successful operation of our ~~38payment~~ -- **payment** processing business depends on the soundness of ISOs, third party processors, payment facilitators, clearing agents and others that we rely on to conduct our payment processing business. Any losses resulting from such third parties could adversely affect our business, financial condition and results of operations. Risks Related to Accounting MattersChanges in accounting standards could materially impact our financial statements. From time to time, the FASB or the SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict, and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in our needing to revise or restate prior period financial statements. Our accounting estimates rely on analytics, models and assumptions, which may not accurately predict events. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management' s judgment of the most appropriate manner to report our financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in our reporting materially different results than would have been reported under a different alternative. Certain accounting policies are critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Management considers the accounting policy relating to the allowance for ~~loan~~ **credit** losses to be a critical accounting policy. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for ~~loan~~ **credit** losses or ~~sustain~~ **38sustain** ~~loan~~ **credit** losses that are significantly higher than the reserve provided. These could have a material adverse effect on our business, financial condition or results of operations. Risks Related to Our Common StockThe Company' s stock price can be volatile. The Company' s stock price can fluctuate in response to a variety of factors, some of which are not under our control. The factors that could cause the Company' s stock price to decrease include, but are not limited to: (i) our past and future dividend practice; (ii) our financial condition, performance, creditworthiness and prospects; (iii) variations in our operating results or the quality of our assets; (iv) operating results that vary from the expectations of management, securities analysts and investors; (v) changes in expectations as to our future financial performance; (vi) changes in financial markets related to market valuations of financial industry companies; (vii) current or future financial institutional illiquidity and / or seizures by federal regulators; (viii) the operating and securities price performance of other companies that investors believe are comparable to us; (ix) future sales of our equity or equity- related securities; (x) the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally; and (xi) changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, inflation, recessionary conditions, stock, commodity or real estate valuations or volatility and other geopolitical, regulatory or judicial events. ~~39The~~ -- **The** limited liquidity of our common stock may limit your ability to trade our shares and may impact the value of our common stock. While the Company' s common stock is traded on the NASDAQ Capital Market, the trading volume has historically been less than that of larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. Given the relatively low trading volume of our common stock, significant sales of our common stock in the public market, or the perception that those sales may occur, could cause the trading price of our common stock to decline or to be lower than it otherwise might be in the absence of those sales or perceptions. Anti- takeover provisions could negatively impact our shareholders. Certain provisions in the Company' s Articles of Incorporation and Bylaws, as well as federal banking laws, regulatory approval requirements, and Maryland law, could make it more difficult for a third party to acquire the Company, even if doing so would be perceived to be beneficial to the Company' s stockholders. **Our** ~~ITEM 1B. Unresolved Staff CommentsNone. ITEM 2. PropertiesAt December 31, 2022, we conducted business through our corporate headquarters and full service branch in Jericho,~~ New York ~~(Nassau County) and one administrative office~~ **City multifamily loan portfolio could be adversely impacted by changes** in **legislation** ~~Boca Raton, Florida. All the current locations are leased properties. At December 31, 2022, the total net book value of our~~ - **or regulation** ~~leasehold improvements, furniture, fixtures and equipment was approximately $ 2. 7 million. ITEM 3. Legal ProceedingsPeriodically, we are involved in claims and lawsuits, such as claims to enforce liens, condemnation proceedings on properties in~~ which ~~we hold security interests~~ , **in turn** ~~claims involving the making and servicing of real property loans and other issues incident to our business. At December 31~~ , ~~2022, we are not a party to any pending legal proceedings that we believe would~~ **could** have a material adverse effect on our financial condition ~~,~~ **and** results of operations **. On June 14, 2019, the New York State legislature passed the New York Housing Stability and**

Tenant Protection Act of 2019. This legislation represents the most extensive reform of New York State' s rent laws in several decades and generally limits a landlord' s ability to increase rents on rent regulated apartments and makes it more difficult to convert rent regulated apartments to market rate apartments. As a result, the value of the collateral located in New York State securing the Company' s multifamily loans or the future net operating income of such properties could potentially become impaired which, in turn, could have a material adverse effect on ~~or~~ **our** ~~cash flows~~ **financial condition and results of operations** . ITEM ~~4~~ **1B** . **Unresolved Staff CommentsNone** ~~Mine Safety DisclosuresNot applicable~~ .