

Risk Factors Comparison 2025-03-31 to 2024-03-29 Form: 10-K

Legend: New Text Removed Text Unchanged Text Moved Text Section

An investment in our common stock is subject to risks inherent in our business. The material risks and uncertainties that management believes affect us are described below. You should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report and our other filings with the Securities and Exchange Commission. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors.

Risks Related to Our Business

The Company may be unable to effectively manage its rapid growth. The Company's business strategy anticipates the rapid expansion of its business to pursue existing and potential market opportunities. On November 30, 2023, the Company completed the acquisition of Partners Bancorp which more than doubled the size of the Company. This high pace of growth places significant demands on the Company's management and operational resources. In order to manage such growth effectively, the Company must implement effective operational systems, procedures and internal controls. Failure to implement these systems, procedures and controls on a timely basis could materially and adversely affect the Company's results of operation or financial condition. Further, the Company's continued expansion of its business may include entering new lines of business or introducing new products and services. We cannot assure you that the Company will be successful in such expansion efforts and any failure could materially and adversely affect the Company's results of operation or financial condition. The merger with Partners Bancorp and any future acquisitions could disrupt the Company's business and adversely affect our results of operations, financial condition and cash flows. On November 30, 2023, the Company completed the acquisition of Partners Bancorp. The Company may choose to expand in the future by making additional acquisitions, including other financial institutions, branches or fee-based businesses, that could be material to its business, results of operations, financial condition and cash flows. Acquisitions, including the merger with Partners Bancorp, involve many risks, including the following:

- an acquisition may negatively affect the Company's results of operations, financial condition or cash flows because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- the Company may encounter difficulties or unforeseen expenditures in integrating the operations of any company that it acquires, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- an acquisition, and in particular the Partners Merger, will involve the entry into geographic or business markets in which the Company has little or no prior experience or where competitors have stronger market positions;
- if the Company incurs debt to fund such acquisition, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants; and
- the Company issued a significant amount of equity securities in connection with the Partners Merger, such that existing shareholders will be diluted and earnings per share may decrease.

The occurrence of any of these risks could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows. A significant portion of the Company's loan portfolio is secured by real estate, and events that negatively impact the real estate market could hurt its business. The vast majority of the Company's loans have real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. A weakening of the real estate market in the Company's primary market areas could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on the Company's profitability and asset quality. If the Company is required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, the Company's earnings and capital could be adversely affected. Acts of nature, including hurricanes, tornadoes, earthquakes, fires and floods, which may cause uninsured damage and other loss of value to real estate that secures these loans, may also negatively impact the Company's financial condition. The Company's loan portfolio contains a number of real estate loans with relatively large balances. The Company's loan portfolio contains a number of real estate loans with relatively large balances. The deterioration of one or a few of these loans could cause a significant increase in nonperforming loans, which could result in a net loss of earnings, an increase in the provision for credit losses and an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations. Commercial real estate loans may increase the Company's exposure to credit risk. At December 31, ~~2023~~ **2024**, the Company's commercial real estate loans totaled \$ 1. ~~26~~ **32** billion, or ~~56~~ **58** .4 %, of our total loan portfolio. Loans secured by commercial real estate are generally viewed as having more risk of default than loans secured by residential real estate or consumer loans because repayment of the loans often depends on the successful operation of the property, the income stream of the borrowers, the accuracy of the estimate of the property's value at completion of construction, and the estimated cost of construction. Such loans are generally more risky than loans secured by consumer loans because those loans are typically not secured by real estate collateral. An adverse development with respect to one lending relationship can expose the Company to a significantly greater risk of loss compared with a single-family residential mortgage loan because the Company typically has more than one loan with such borrowers. Additionally, these loans typically involve larger loan balances to single borrowers or groups of related borrowers compared with single-family residential mortgage loans. Therefore, the deterioration of one or a few of these loans could cause a significant decline in the related asset quality. If the

Company's primary market areas experience an economic slowdown, these loans represent higher risk and could result in a sharp increase in loans charged off and could require the Company to significantly increase its allowance for credit losses, which could have a material adverse impact on its business, financial condition, results of operations, and cash flows. Repayment of commercial business loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may fluctuate in value. At December 31, ~~2023~~ **2024**, \$ ~~238-245.3~~ **245.3** million, or 10. ~~63~~ **90** % of our total loan portfolio, consisted of commercial business loans. The Company's commercial business loans are originated primarily based on the identified cash flow and general liquidity of the borrower and secondarily on the underlying collateral provided by the borrower and / or repayment capacity of any guarantor. The borrower's cash flow may be unpredictable, and collateral securing these loans may fluctuate in value. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable, or other business assets, the liquidation of collateral in the event of default is often an insufficient source of repayment because accounts receivable may be uncollectible and inventories may be obsolete or of limited use. In addition, business assets may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. Accordingly, the repayment of commercial business loans depends primarily on the cash flow and credit worthiness of the borrower and secondarily on the underlying collateral value provided by the borrower and liquidity of the guarantor. A portion of the Bank's loan portfolio consists of loan participations. Loan participations may have a higher risk of loss than loans the Bank originates because it is not the lead lender, and the Bank has limited control over credit monitoring. The Bank participates in commercial real estate loans ~~and commercial business loans~~ with other financial institutions from time to time in which it is not the lead lender. The Bank's commercial real estate loan participations are generally located in Pennsylvania although the Bank has from time to time participated in loans located in the states of Maryland, **Delaware** and Virginia. The Bank also occasionally participates in commercial business loans with other financial institutions in which it is not the lead lender. These loans are limited to our geographic lending market and are generally secured by blanket UCC liens. At December 31, ~~2023~~ **2024**, commercial real estate loan participations for which the Bank was not the lead lender totaled \$ ~~73~~ **74** . ~~1~~ **8** million, or 5. ~~8~~ **7** % of our commercial real estate loan portfolio. Commercial business loan participations for which the Bank was not the lead lender totaled \$ ~~14.1~~ **14.1** million, or 5. ~~7~~ **5** million, or 2. ~~3~~ % of our commercial business loan portfolio. Construction loan participations for which the Bank was not the lead lender totaled \$ ~~144.5~~ **144.5** million, or 8. ~~3~~ **1** % of our construction loan portfolio. The Bank underwrites each commercial real estate loan ~~and~~, **commercial business loan and commercial construction** loan that it participates in and establishes the loan classification and loan provision using the same criteria it uses for loans the Bank originates. Loan participations may have a higher risk of loss than loans the Bank originates because the Bank relies on the lead lender to service and to monitor the performance of the loan. Moreover, decisions regarding the classification of a loan participation and loan loss provisions associated with a loan participation are made in part based upon information provided by the lead lender. A lead lender also may not monitor a participation loan in the same manner as the Bank would for loans that it originates. At December 31, ~~2023~~ **2024**, no loan participations were delinquent 60 days or more. If the Bank underwriting of these participation loans is not sufficient, non-performing loans may increase, and earnings may decrease. The Company may be exposed to risk of environmental liabilities with respect to properties to which it takes title. In the course of the Company's business, it may foreclose and take title to real estate, potentially becoming subject to environmental liabilities associated with the properties. The Company may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs or the Company 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 Company is the owner or former owner of a contaminated site, the Company 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 the Company's business, results of operations, financial condition, and the value of its securities. The Company's decisions regarding allowance for credit losses and credit risk may materially and adversely affect its business. Making loans and other extensions of credit is an essential element of the Company's business. Although the Company seeks to mitigate risks inherent in lending by adhering to specific underwriting practices, the Company's loans and other extensions of credit may not be repaid. The risk of nonpayment is affected by a number of factors, including: • the duration of the credit; • credit risks of a particular customer; • changes in economic and industry conditions; and • in the case of a collateralized loan, risks resulting from uncertainties about the future value of the collateral. The Company attempts to maintain an appropriate allowance for credit losses to provide for estimated losses over the life of the loan portfolio. The Company periodically determines the amount of the allowance based on consideration of several factors, including but not limited to: • an ongoing review of the quality, mix, and size of the Company's overall loan portfolio; • the Company's historical loan loss experience; • evaluation of economic conditions; • regular reviews of loan delinquencies and loan portfolio quality; • ongoing review of financial information provided by borrowers; and • the amount and quality of collateral, including guarantees, securing the loans. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for credit losses. In addition, regulatory agencies periodically review the Company's allowance for credit losses and may require an increase in the provision for credit losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for credit losses, the Company will need additional provisions to increase the allowance for credit losses. Any increases in the allowance for credit losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on the Company's financial condition and results of operations. If the Company's non-performing assets increase, earnings will be adversely affected. At December 31, ~~2023~~ **2024**, non-performing assets, which consist of non-

performing loans and other real estate owned, were \$ 7-17.3-2 million, or 0.32-60% of total assets. The Company's non-performing assets adversely affect net income in various ways: • the Company records interest income only on the cash basis or cost-recovery method for nonaccrual loans and it does not record interest income for other real estate owned; • the Company must provide for estimated credit losses through a current period charge to the provision for credit losses; • noninterest expense increases when the Company writes down the value of properties in its other real estate owned portfolio to reflect changing market values; • there are legal fees associated with the resolution of problem assets, as well as carrying costs, such as taxes, insurance, and maintenance fees; and • the resolution of non-performing assets requires the active involvement of management, which can distract them from more profitable activity. If additional borrowers become delinquent and do not pay back their loans and the Company is unable to successfully manage its non-performing assets, losses and troubled assets could increase significantly, which could have a material adverse effect on the Company's financial condition and results of operations. The Company may have higher loan losses than it has allowed for in its allowance for credit losses. The Company's actual loan losses could exceed its allowance for credit losses and therefore its allowance for credit losses may not be adequate. A significant portion of the Company's loan portfolio is secured by commercial real estate. Repayment of such loans is generally considered more subject to market risk than residential mortgage loans. Industry experience shows that a portion of loans will become delinquent and a portion of loans will require partial or entire charge-off. Regardless of the underwriting criteria utilized, losses may be experienced as a result of various factors beyond the Company's control, including among other things, changes in market conditions affecting the value of loan collateral and problems affecting borrower credit. Inflation can have an adverse impact on our business and on our customers. The national economy continues to experience elevated levels of inflation, but not at levels seen in 2022 and 2023. As of December 31, 2023-2024, the year over year consumer price index ("CPI") increase was 3-2.4-9%, primarily driven by increases in food and housing prices. The As a result, the Federal Reserve raised interest rates by 100 basis points in through July 2023 to combat rising inflation, and reduced rates by 100 basis points beginning in September 2024. High inflation, if sustained, could have an adverse effect on our business. The recent increase in interest rates in response to elevated levels of inflation has decreased the value of our securities portfolio, resulting in an increase in unrealized losses recorded in accumulated other comprehensive income (loss) on in the shareholders' equity section of our balance sheet. In addition, inflation-driven increases in our levels of non-interest expense could negatively impact our results of operations. High inflation and increasing interest rates could also cause increased volatility in the business environment, which could adversely affect loan demand and borrowers' ability to repay loans. The Company relies heavily on its senior management team and the unexpected loss of any of those personnel could adversely affect its operations. The Company is a customer-focused and relationship-driven organization. The Company expects its future growth to be driven in a large part by the relationships maintained with its customers by its chief executive officer and by other senior officers. The unexpected loss of any of the Company's key employees could have a material adverse effect on its business and operations, which would have an adverse effect on its business, results of operations, financial condition, and the value of its securities. The success of the Company's strategy depends on its ability to identify and retain individuals with experience and relationships in its markets. In order to be successful, the Company must identify and retain experienced key management members with local expertise and relationships. Competition for qualified personnel is intense and there are a limited number of qualified persons with knowledge of and experience in the community banking industry in the Company's chosen geographic markets. Even if the Company identifies individuals that it believes could assist the Company in building its franchise, the Company may be unable to recruit these individuals away from more established banks. In addition, the process of identifying and recruiting individuals with the combination of skills and attributes required to carry out the Company's strategy is often lengthy. The Company's inability to identify, recruit, and retain talented personnel could limit its growth and could materially adversely affect its business, results of operations, financial condition, and the value of its securities. Changes in economic conditions, in particular an economic slowdown in Pennsylvania, Maryland, Delaware, Northern Virginia, and Southern New Jersey could materially and negatively affect the Company's business. The Company primarily serves individuals, businesses and municipalities located in Chester, Cumberland, Dauphin, Lancaster, Northumberland, Schuylkill, and York Counties in Pennsylvania, Wicomico, Charles, Anne Arundel, and Worcester counties in Maryland, Sussex county in Delaware, Camden and Burlington counties in New Jersey, Spotsylvania county and Fairfax counties in Virginia, and the cities-city of Fredericksburg and Reston, Virginia (the "local market"). As of December 31, 2023-2024, a majority of our loan portfolio was secured by real estate and other assets located in the local market. The Company's business is directly impacted by factors such as economic, political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in government monetary and fiscal policies and inflation, all of which are beyond the Company's control. Any deterioration in economic conditions, whether caused by national or local concerns, in particular any further economic slowdown in the local market, could result in the following consequences, any of which could hurt the Company's business materially: loan delinquencies may increase; problem assets and foreclosures may increase; demand for the Company's products and services may decrease; low cost or noninterest bearing deposits may decrease; and collateral for loans made by the Company, especially real estate, may decline in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with the Company's existing loans. The Company's success significantly depends upon the growth in population, income levels, deposits, and housing starts in the Company's local market. If the communities in which the Company operates do not grow or if prevailing economic conditions locally or nationally are unfavorable, the Company's business may not succeed. An economic downturn or prolonged recession would likely result in further deterioration of the quality of the Company's loan portfolio and reduce the Company's level of deposits, which in turn would hurt its business. If the Company experiences an economic downturn or a prolonged economic recession occurs in the economy as a whole, borrowers will be less likely to repay their loans as scheduled. Moreover, in many cases the value of the real estate or other collateral that secures the Company's loans was adversely affected by the economic conditions over the past few years, and an economic downturn or a prolonged economic recession could

~~further negatively affect such values~~. Unlike many larger institutions, the Company is not able to spread the risks of unfavorable local economic conditions across a large number of diversified economies. An economic downturn could, therefore, result in losses that materially and adversely affect the Company's business. The small- and medium- sized business target market may have fewer financial resources to weather a downturn in the economy. The Company targets its commercial development and marketing strategy to serve the banking and financial services needs of small- and medium- sized businesses. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact this major economic sector in the markets in which the Company operates, its results of operations and financial condition, as well as the value of its securities, may be adversely affected. Higher FDIC deposit insurance premiums or special assessments could adversely impact the Company's financial condition. The Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain deposit insurance. As an FDIC- insured institution, the Bank is required to pay quarterly deposit insurance premium assessments to the FDIC. The FDIC issued a final rule in October 2022 to increase initial base deposit insurance assessment rates by 2 basis points beginning in the first quarterly assessment period of 2023. If there are financial institution failures, the Bank may be required to pay higher FDIC premiums or special assessments. For example, in 2023, the FDIC issued a special assessment for banks with total consolidated assets of \$ 5 billion or more in order to recover losses sustained by the DIF as a result of the March 2023 failures of Silicon Valley Bank and Signature ~~bank~~ **Bank**. Although the Bank cannot predict if there will be future increases to insurance assessment rates or special assessments, either a deterioration in its risk- based capital ratios or further adjustments to the base assessment rates could have a material adverse impact on its business, financial condition, results of operations, and cash flows. The Company depends on the accuracy and completeness of information about clients and counterparties and its financial condition could be adversely affected if it relies on misleading information. In deciding whether to extend credit or to enter into other transactions with clients and counterparties, the Company may rely on information furnished to it by or on behalf of clients and counterparties, including financial statements and other financial information, which it does not independently verify. The Company also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to clients, the Company may assume that a customer's audited financial statements conform with GAAP and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. The Company's financial condition and results of operations could be negatively impacted to the extent it relies on financial statements that do not comply with GAAP or are materially misleading. Changes in prevailing interest rates may reduce the Company's profitability. The Company's results of operations depend in large part upon the level of its net interest income, which is the difference between interest income from interest- earning assets, such as loans and investment securities, and interest expense on interest- bearing liabilities, such as deposits and other borrowings. Depending on the terms and maturities of the Company's assets and liabilities, a significant change in interest rates could have a material adverse effect on its profitability. Many factors cause changes in interest rates, including governmental monetary policies and domestic and international economic and political conditions. While the Company intends to manage the effects of changes in interest rates by adjusting the terms, maturities, and pricing of its assets and liabilities, its efforts may not be effective and its financial condition and results of operations could suffer. The Company is subject to interest rate risk, and fluctuations in market interest rates may affect its interest margin and income, demand for products, defaults on loans, loan prepayments and the fair value of its financial instruments. The Company's earnings and cash flows depend largely upon its net interest income. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of governmental and regulatory agencies, particularly the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence the interest the Company receives on loans and investments and the amount of interest it pays on deposits and borrowings, which may affect net interest margin. Such changes could also affect (i) demand for products and services and price competition, in turn affecting our ability to originate loans and obtain deposits; (ii) the fair value of the Company's financial assets and liabilities; (iii) the average duration of its mortgage- backed securities portfolio and other interest- earning assets; (iv) levels of defaults on loans; and (v) loan prepayments. During 2023, in response to accelerated inflation, the Federal Reserve continued to implement monetary tightening policies, resulting in increased interest rates. ~~The~~ **By the end of 2024, following several interest rate cuts, the** Federal Reserve has signaled that interest rates may remain elevated. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, net interest income, and therefore earnings, could be adversely affected. In addition, the Company's net interest margin may contract in a rising rate environment because its funding costs may increase faster than the yield earned on its interest- earning assets. In a rising rate environment, demand for loans may decrease and loans with adjustable interest rates are more likely to experience a higher rate of default. Additionally, changes in interest rates also affect the fair value of the securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. The combination of these events may adversely affect the Company's financial condition and results of operations. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. In addition, in a falling rate environment or the recent pandemic- related environment where the Federal Reserve held the federal reference rate near 0.00 %, loans may be prepaid sooner than the Company expects, which could result in a delay between when the Company receives the prepayment and when it is able to redeploy the funds into new interest- earning assets and in a decrease in the amount of interest income the Company is able to earn on those assets. If the Company is unable to manage these risks effectively, its financial condition and results of operations could be materially adversely affected. Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on the Company's financial condition and results of operations. Also, the Company's interest rate risk modeling techniques and assumptions likely may not fully predict or capture

the impact of actual interest rate changes on its balance sheet. The Company may be adversely affected by the soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company has 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 clients. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by the Bank cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the Bank. Any such losses could have a material adverse effect on the Company's financial condition and results of operations. Competition with other financial institutions may have an adverse effect on the Company's ability to retain and grow its client base, which could have a negative effect on its financial condition or results of operations. The banking and financial services industry is very competitive and includes services offered from other banks, savings and loan associations, credit unions, mortgage companies, other lenders, and institutions offering uninsured investment alternatives. Legal and regulatory developments have made it easier for new and sometimes unregulated competitors to compete with the Company. The financial services industry has and is experiencing an ongoing trend towards consolidation in which fewer large national and regional banks and other financial institutions are replacing many smaller and more local banks. These larger banks and other financial institutions hold a large accumulation of assets and have significantly greater resources and a wider geographic presence or greater accessibility. In some instances, these larger entities operate without the traditional brick and mortar facilities that restrict geographic presence. Some competitors have more aggressive marketing campaigns and better brand recognition, and are able to offer more services, more favorable pricing or greater customer convenience than the Bank. In addition, competition has increased from new banks and other financial services providers that target the Company's existing or potential customers. As consolidation continues among large banks, the Company expects other smaller institutions to try to compete in the markets the Company plans to serve. This competition could reduce the Company's net income by decreasing the number and size of the loans that it originates and the interest rates it charges on these loans. Additionally, these competitors may offer higher interest rates, which could decrease the deposits the Company attracts or require it to increase rates to retain existing deposits or attract new deposits. Increased deposit competition could adversely affect the Company's ability to generate the funds necessary for lending operations which could increase its cost of funds. 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 as part of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Technological developments have allowed competitors, including some non-depository institutions, to compete more effectively in local markets and have expanded the range of financial products, services and capital available to the Company's target customers. If the Company is unable to implement, maintain and use such technologies effectively, it may not be able to offer products or achieve cost-efficiencies necessary to compete in the industry. In addition, some of these competitors have fewer regulatory constraints and lower cost structures. Liquidity needs could adversely affect the Company's financial condition and results of operation. The primary sources of funds of the Bank are customer deposits and loan repayments. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or lay-offs, inclement weather, which could be exacerbated by potential climate change, natural disasters and international instability. Market conditions may impact the competitive landscape for deposits in the banking industry. The rising high interest rate environment and future actions the Federal Reserve may take may impact pricing and demand for deposits in the banking industry. Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, regulatory capital requirements, returns available to customers on alternative investments and general economic conditions. The withdrawal of more deposits than the Company anticipates could have an adverse impact on profitability as the Company may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include proceeds from FHLB Federal Home Loan Bank advances, sales of investment securities and loans, and federal funds lines of credit from correspondent banks, as well as out-of-market time deposits which could cause the Company's overall cost of funding to increase. While the Company believes that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands, particularly if the Company continues to grow and experience increasing loan demand. The Company may be required to slow or discontinue loan growth, capital expenditures or other investments or liquidate assets should such sources not be adequate. Technological advances impact the Company's business; its information systems may experience an interruption or breach in security. To conduct the Company's business, it relies heavily on new technology-driven products and services and on communications and information systems. The Company's future success will depend, in part, on its ability to address the needs of the Bank's customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in operations. Furthermore, any failure, interruption or breach of the security of the Company's information systems could result in failures or disruptions in its customer relationship management, general ledger, deposit, loan and other systems. While the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of the Company's information systems, there can be no assurance that the Company can prevent any such failures, interruptions or security breaches or, if they do occur, that they will be adequately addressed. During the normal course of the Company's business, it has experienced and it expects to continue to experience attempts to breach its systems, none of which has been material to the Company to date, and it may be unable to protect sensitive data and the integrity of its systems. The occurrence of any failures, interruptions or security breaches of the Company's information systems could

damage its reputation, result in a loss of customer business, subject it to additional regulatory scrutiny, or expose it to civil litigation and possible financial liability, any of which could have a material adverse effect on its financial condition and results of operations as well as the value of its securities. The Company's controls and procedures may fail or be circumvented. The Company regularly reviews and updates its internal controls, 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 or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on its business, results of operations and financial condition. The Bank is subject to risks and losses resulting from fraudulent activities that could adversely impact its financial performance and results of operations. The Bank is susceptible to fraudulent activity that may be committed against it or its clients, which may result in financial losses or increased costs to the Bank or its clients, disclosure or misuse of its information or its client's information, misappropriation of assets, privacy breaches against its clients, litigation or damage to the Bank's reputation. The Bank is most subject to fraud and compliance risk in connection with the origination of loans, ACH transactions, wire transactions, ATM transactions, checking transactions, and debit cards that it has issued to its customers and through its online banking portals. The Company maintains a system of internal controls and insurance coverage to mitigate against such risks, including data processing system failures and errors, and customer fraud. If its internal controls fail to prevent or detect any such occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on the Company's business, financial condition and results of operations. Negative public opinion surrounding the Company and the financial institutions industry generally could damage its reputation and adversely impact its earnings. Reputation risk, or the risk to the Company's business, earnings and capital from negative public opinion surrounding the Company and the financial institutions industry generally, is inherent in its business. Negative public opinion can result from the Company's actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect the Company's ability to keep and attract clients and employees and can expose it to litigation and regulatory action. Although the Company takes steps to minimize reputation risk in dealing with its clients and communities, this risk will always be present given the nature of its business. Severe weather, natural disasters, public health emergencies and pandemics, acts of war or terrorism, and other external events could significantly impact our business. Severe weather, natural disasters, public health emergencies and pandemics, acts of war or terrorism, geopolitical conflicts, and other adverse external events could have a significant impact on the Company's ability to conduct business. Such events could affect the operations of the bank branches, stability of the Bank's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue, and / or cause the Company to incur additional expenses. Additionally, demand for the Company's products and services may decline; loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; collateral for loans may decline in value, which could increase loan losses; the allowance for credit losses may have to be increased if borrowers experience financial difficulties; a material decrease in net income could affect the Company's ability to pay cash dividends; cybersecurity risks may be increased as the result of employees working remotely; critical services provided by third- party vendors may become unavailable; government actions and mandates may affect the Company's workforce and infrastructure; and the Company may experience staffing shortages and unanticipated unavailability or loss of key employees. The occurrence of any such event or a combination of the foregoing factors could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on its financial condition and results of operations.

Regulatory and Legal Risks The Company and the Bank are subject to extensive government regulation and supervision that could interfere with their ability to conduct their business and may negatively impact their financial results, restrict their activities, have an adverse impact on their operations, and impose financial requirements or limitations on the conduct of their business. The Company, primarily through the Bank, is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, the Deposit Insurance Fund and the safety and soundness of the banking system as a whole, not shareholders. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products it may offer, and / or limit the pricing it may charge on certain banking services, among other things. The Company will have to apply resources to ensure that it is in compliance with any changes to statutes, regulations or regulatory policies, including changes in interpretations or implementation, which may increase its costs of operations and adversely impact its earnings. Imposition of limits by bank regulators on commercial real estate lending activities could curtail our growth and adversely affect our earnings. In 2006, the Office of the Comptroller of the Currency, the FDIC and the Federal Reserve (collectively, the " Agencies ") issued joint guidance entitled " Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices " (the " CRE Guidance "). Although the CRE Guidance did not establish specific lending limits, it provides that a bank's commercial real estate lending exposure could receive increased supervisory scrutiny where total non- owner- occupied commercial real estate loans, including loans secured by apartment buildings, investor commercial real estate, and construction and land loans, represent 300 % or more of an institution's total risk- based capital, and the outstanding balance of the commercial real estate loan portfolio has increased by 50 % or more during the preceding 36 months. **Non- owner- occupied Commercial commercial** real estate loans represent **374-365. 5-7** % of our risk- based capital at December 31, **2023-2024** and the outstanding balance of our commercial real estate loan portfolio has increased by greater than 50 % during the 36 months preceding December 31, **2023**

2024. In December 2015, the Agencies released a new statement on prudent risk management for commercial real estate lending (the “ 2015 Statement ”). In the 2015 Statement, the Agencies, among other things, indicate the intent to continue “ to pay special attention ” to commercial real estate lending activities and concentrations going forward. If the Bank’ s regulators were to impose restrictions on the amount of such loans it can hold in its portfolio or require it to implement additional compliance measures, for reasons noted above or otherwise, the Company’ s earnings would be adversely affected as would earnings per share. The Bank faces a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations. The Bank Secrecy Act, as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “ Patriot Act ”), and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti- money laundering programs and file suspicious activity and currency transaction reports as appropriate. The Financial Crimes Enforcement Network, established by the U. S. Treasury to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U. S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control (the “ OFAC ”). Federal and state bank regulators also have begun to increase focus on compliance with Bank Secrecy Act and anti-money laundering regulations. If the Company’ s policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that it has already acquired or may acquire in the future are deficient, it would be subject to liability, including fines and regulatory actions such as restrictions on its ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of its business plan, including its acquisition plans, which would negatively impact its business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for the Company. Regulations relating to privacy, information security and data protection could increase the Company’ s and the Bank’ s costs, affect or limit how they collect and use personal information and adversely affect their business opportunities. The Company is subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and it could be negatively impacted by these laws. For example, the Company’ s business is subject to the Financial Services Modernization Act of 1999, also known as the Gramm- Leach- Bliley Act, which, among other things: (i) imposes certain limitations on its ability to share nonpublic personal information about its customers with nonaffiliated third parties; (ii) requires that it provide certain disclosures to customers about its information collection, sharing and security practices and afford customers the right to “ opt out ” of any information sharing by the Company with nonaffiliated third parties (with certain exceptions) and (iii) requires it develop, implement and maintain a written comprehensive information security program containing safeguards appropriate based on its size and complexity, the nature and scope of its activities, and the sensitivity of customer information it processes, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the United States are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on the Company’ s current and planned privacy, data protection and information security- related practices, the Company’ s collection, use, sharing, retention and safeguarding of consumer or employee information, and some of its current or planned business activities. This could also increase the Company’ s costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy- related enforcement activity at the federal level, by the Federal Trade Commission, as well as at the state level, such as with regard to mobile applications. Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which the Company is subject could result in higher compliance and technology costs and could restrict its ability to provide certain products and services, which could have a material adverse effect on its business, financial conditions or results of operations. The Company’ s failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to its reputation, which could have a material adverse effect on its business, results of operations, financial condition, and the value of its securities. The Company’ s and the Bank’ s use of third party vendors and their other ongoing third party business relationships are subject to increasing regulatory requirements and attention. The Company regularly uses third party vendors as part of its business. The Bank also has substantial ongoing business relationships with other third parties. These types of third party relationships are subject to increasingly demanding regulatory requirements and attention by the Company’ s federal bank regulators. Regulatory guidance requires all banking organizations to enhance due diligence, ongoing monitoring and control over organizations’ third party vendors and other ongoing third party business relationships. The Company expects that its regulators will hold it responsible for any deficiencies in its oversight and control of its third party relationships and in the performance of the parties with which it has these relationships. As a result, if the Company’ s regulators conclude that it has not exercised adequate oversight and control over its third party vendors or other ongoing third party business relationships or that such third parties have not performed appropriately, the Company could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect on its business, results of operations, financial condition, and the value of its securities. The Bank is limited in the amount it can lend to one borrower. The Bank is limited in the amount it can lend to a single borrower. The legal lending limit is 15 % of such bank’ s capital and surplus with an additional 10 % available for certain loans meeting heightened collateral requirements. However, the Company generally imposes an internal limit that is more conservative than the legal maximum. The Bank’ s lending limit may be less than the limit for some of its competitors and may affect its ability to seek

relationships with larger businesses in its market area. From time to time, the Company attempts to accommodate larger loans by selling participations in those loans to other financial institutions. However, the Company cannot assure you that it will be able to attract or maintain customers seeking larger loans or that it will be able to sell participations in such loans on terms it considers favorable. The Company's inability to attract and maintain these customers or its inability to sell loan participations on favorable terms could adversely impact its business, financial condition, results of operation, and the value of its securities. Federal, state and local consumer lending laws may restrict the Bank's ability to originate certain mortgage loans or increase its risk of liability with respect to such loans and could increase its cost of doing business. Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered "predatory." These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. Loans with certain terms and conditions and that otherwise meet the definition of a "qualified mortgage" may be protected from liability to a borrower for failing to make the necessary determinations. The Company may find it necessary to tighten its mortgage loan underwriting standards in response to these rules, which may constrain its ability to make loans consistent with its business strategies. It is the Company's policy not to make predatory loans and to determine borrowers' ability to repay, but the law and related rules create the potential for increased liability with respect to the Company's lending and loan investment activities. They increase the Company's cost of doing business and, ultimately, may prevent it from making certain loans and cause it to reduce the average percentage rate or the points and fees on loans that it does make. The Bank is subject to federal and state fair lending laws, and failure to comply with these laws could lead to material penalties. Federal and state fair lending laws and regulations, such as the Equal Credit Opportunity Act and the Fair Housing Act, impose nondiscriminatory lending requirements on financial institutions. The Department of Justice, Consumer Financial Protection Bureau ("CFPB") and other federal and state agencies are responsible for enforcing these laws and regulations. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. A successful challenge to the Company's performance under the fair lending laws and regulations could adversely impact its rating under the Community Reinvestment Act and result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on merger and acquisition activity and restrictions on expansion activity, which could negatively impact its reputation, business, financial condition and results of operations. The Bank's current Community Reinvestment Act rating is "Satisfactory." The Federal Reserve may require the Company to commit capital resources to support the Bank. The Federal Reserve requires a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of financial strength for the institution. Under these requirements, in the future, the Company could be required to provide financial assistance to the Bank, if it experiences financial distress. A capital injection may be required at times when the Company does not have the resources to provide it, and therefore the Company may be required to borrow the funds. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company's cash flows, financial condition, results of operations and prospects. **Changes in the Federal Reserve's monetary or fiscal policies could adversely affect the Company's results of operations and financial conditions. The Company's earnings will be affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve has, and is likely to continue to have, an important impact on the operating results of banks through its power to implement national monetary policy, among other things, in order to curb inflation or combat a recession. The Federal Reserve's actions affect the levels of bank loans, investments and deposits through its control over the issuance of United States government securities, its regulation of the discount rate applicable to member banks, and its influence on other monetary and fiscal policies. The monetary policies of the Federal Reserve may be affected by certain policy initiatives of the new Administration, which has announced tariffs on certain U. S. trading partners (and has indicated additional tariffs and retaliatory tariffs against U. S. trading partners may be announced in the future) and has implemented stricter immigration policies. Although forecasts have varied, many economists are projecting that such policy initiatives may halt productivity growth and reduce available labor, creating inflationary pressures. Under such a scenario, the Federal Reserve may decide to maintain the federal funds rate at a relatively elevated level for a prolonged period of time. The extent and timing of the new Administration's policy changes and their impact on the policies of the Federal Reserve, as well as the Company's business and financial results, are uncertain at this time.** The Company may be subject to more stringent capital requirements in the future. From time to time, the Company's banking regulators change the regulatory capital adequacy guidelines applicable to it and its banking subsidiary. In December 2010 and January 2011, the Basel Committee on Banking Supervision published the final texts of reforms on capital and liquidity generally referred to as "Basel III." The federal regulatory agencies adopted capital rules implementing the Basel III capital framework in the United States. Under these rules, the Bank is required to satisfy additional, more stringent, capital adequacy standards than it has in the past. If the Company's consolidated assets were to exceed \$ 3. 0 billion or larger, the Company would be subject to consolidated holding company

capital requirements similar to those applicable to the Bank. The Bank has met all of the requirements of the Basel III- based capital rules to date, but the Bank may fail to do so in the future. In addition, these requirements could have a negative impact on the Bank's ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of dividends or share repurchases. Higher capital levels could also lower the Company's return on equity, which may negatively impact its business, results of operations, financial condition, and the value of its securities. The Bank may be a party to various lawsuits. Litigation is subject to many uncertainties such that the expenses and ultimate exposure with respect to many of these matters cannot be ascertained. From time to time, customers and others make claims and take legal action pertaining to the Company's performance of ~~fiduciary responsibilities~~ **its ongoing obligations to customers** or other matters. Whether customer claims and legal action are legitimate or unfounded, if such claims and legal actions are not resolved in the Company's favor they may result in significant financial liability and / or adversely affect the market perception of it and its products and services as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on its financial condition and results of operations.

Risks Related to an Investment in the Company's Securities There is a limited trading market in the Company's common stock, which will hinder your ability to sell our common stock and may lower the market price of the stock. Although the Company's common stock is traded on the Nasdaq Capital Market, there is currently a limited trading market for the Company's common stock. An active trading market for shares of the Company's common stock may never develop or be sustained. This limited trading market for the Company's common stock may reduce the market value of our common stock. Before investing in shares of the Company's common stock you should consider the limited trading market for our common stock and be financially prepared and able to hold your shares for an indefinite period. The Company can provide no assurance regarding whether it will continue to make dividend payments in the future. The Company currently pays a quarterly dividend of \$ 0. 075 per share. All future dividends will be dependent on the Company's financial condition, results of operations, and cash flows, as well as capital regulations and dividend restrictions from the PADOBS, the FDIC, and the Federal Reserve. The Federal Reserve and the FDIC have issued policy statements, which provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. The FDIC also has the authority under federal law to enjoin a bank from engaging in what in its opinion constitutes an unsafe or unsound practice in conducting its business, including the payment of a dividend under certain circumstances. The Company can provide no assurance regarding whether it will continue to make dividend payments in the future. The Company may issue additional shares of common stock, and this would result in dilution of a shareholder's ownership percentage and potentially the per share book value of the common stock. The Company may, in the future, determine that it is advisable, or it may encounter circumstances where it determines it is necessary, to issue additional shares of common stock, preferred stock, securities convertible into, exchangeable for or that represent an interest in common stock, or common stock- equivalent securities to fund strategic initiatives or other business needs or to build additional capital. In September 2022, the Company completed its IPO whereby it issued and sold 5, 101, 205 shares of common stock. In February 2023, the Company completed a private placement of \$ 10. 0 million in common stock. On November 30, 2023, the Company completed its acquisition of Partners Bancorp and issued 20, 683, 158 shares of common stock. These issuances diluted and future issuances may dilute the ownership interests of shareholders and could potentially dilute the per share book value of the common stock if the issuances are done at a lower per share offering price. Furthermore, in recognition of the financial risk and efforts undertaken in organizing the Company, certain founding investors were granted warrants to purchase four shares of common stock at a purchase price of \$ 10 per share for every one share the individual purchased during the Company's initial offering in 2018- 2019. In the aggregate, warrants to purchase 1, 537, 484 shares of common stock were granted to these individuals, which are exercisable for ten years from the date of grant. The exercise of such warrants would dilute the ownership interests of the Company's shareholders. The Company's securities are not FDIC insured and may lose value. Shares of the Company's common stock are not savings accounts or deposits and are not insured or guaranteed by the FDIC, or any other governmental agency, and involve investment risk, including the possible loss of principal. The Company's common stock is subordinate to existing and future indebtedness. Shares of the Company's common stock are equity interests and do not constitute indebtedness. As such, the Company's common stock ranks junior to all our customer deposits and indebtedness, and other non- equity claims on the Company, with respect to assets available to satisfy claims. In addition, the shares of common stock rank junior to the \$ 20. 0 million in subordinated debt that the Company assumed in connection with the Gratz Merger, \$ 22. 6 million in subordinated debt that the Company assumed in connection with the Partners Merger, and \$ 20. 0 million of subordinated debt that the Company issued in April 2022.

Other Risks The use of estimates and valuations may be different from actual results, which could have a material adverse effect on the Company's consolidated financial statements. The Company makes various estimates that affect reported amounts and disclosures. Broadly, those estimates are used in measuring the fair value of certain financial instruments, establishing provision for credit losses and potential litigation liability. Market volatility may make it difficult to determine the fair value for certain of the Company's assets and liabilities. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these financial instruments in future periods. In addition, at the time of any sales and settlements of these assets and liabilities, the price the Company ultimately realizes will depend on the demand and liquidity in the market at that time for that particular type of asset or liability and may be materially lower than its estimate of their current fair value. Estimates are based on available information and judgment. Therefore, actual values and results could differ from the Company's estimates and that difference could have a material adverse effect on its consolidated financial statements. The Company's shareholders have limited control over changes in the Company's policies and operations, which increases the uncertainty and risks that shareholders face. The Board of Directors of the Company determine the major policies of the Company, including its policies regarding growth and distributions. The Board of Directors may amend or revise these and other policies without a vote of the shareholders. The Board of Directors' broad discretion in setting policies and shareholders' inability to exert control over those

policies increases the uncertainty and risks the shareholders face. The Company's articles of incorporation permit the Board of Directors to issue stock with terms that may subordinate the rights of the holders of the Company's common stock or discourage a third party from acquiring the Company in a manner that could result in a premium price to shareholders. The Board of Directors may classify or reclassify any unissued shares of the Company's common stock, classify any unissued shares of the Company's preferred stock and reclassify any previously classified but unissued shares of the Company's preferred stock into other classes or series of stock and set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption of any such stock. Thus, the Board of Directors could authorize the issuance of preferred stock with priority as to distributions and amounts payable upon liquidation over the rights of the holders of the Company's common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of the Company, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of the Company's assets) that might provide a premium price to holders of the Company's common stock. The Company's articles of incorporation and bylaws, and certain banking laws applicable to us, could have an anti-takeover effect that decreases the Company's chances of being acquired, even if an acquisition is in the shareholders' best interests. Certain provisions of the Company's articles of incorporation and bylaws, and federal and state banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of our organization or conduct a proxy contest, even if those events were perceived by many of the Company's shareholders as beneficial to their interests. These provisions, and the corporate and banking laws and regulations applicable to us: • enable the board of directors to increase the size of the board and fill the vacancies created by the increase; • provide that directors may only be removed for cause and by a majority of the votes entitled to be cast; • enable the board of directors to amend our bylaws without shareholder approval, subject, however, to any provision of the articles of incorporation, bylaws, or the Pennsylvania Business Corporation Law that requires action to be taken by the shareholders and the general power of the shareholders to change such action in accordance with the Bylaws and Pennsylvania Business Corporation Law; • require advance notice for shareholder proposals and director nominations; • require a supermajority vote of the shareholders to approve a merger that has not been approved by the board of directors, and to amend certain provisions in the articles of incorporation and the bylaws; and • require prior regulatory approval of any transaction involving control of our organization. The foregoing may discourage potential acquisition proposals and could delay or prevent a change in control. The Company is an "emerging growth company" under the JOBS Act, and the Company cannot be certain whether the reduced disclosure requirements applicable to emerging growth companies will make the Company's common stock less attractive to investors. The Company is an "emerging growth company" under the Jumpstart Our Business Startups Act (the "JOBS Act"), and is, therefore, permitted to, and intends to, take advantage of certain exemptions from certain disclosure requirements. The Company will be an "emerging growth company" until the earliest of: (i) the last day of the fiscal year during which the Company had total annual gross revenues of \$ 1.235 billion or more, (ii) December 31, 2026, (iii) the date on which the Company has, during the previous three-year period, issued more than \$ 1.0 billion in non-convertible debt or (iv) the date on which the Company is deemed a "large accelerated filer," as defined under the federal securities laws. For so long as the Company remains an "emerging growth company," the Company may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, reduced disclosure obligations regarding executive compensation in the Company's periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on certain executive compensation matters, such as "say on pay" and "say on frequency." As a result, the Company's shareholders may not have access to certain information that they may deem important. Although the Company intends to rely on the exemptions provided in the JOBS Act, the exact implications of the JOBS Act for the Company are still subject to interpretations and guidance by the SEC and other regulatory agencies. In addition, Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised financial accounting standards. The Company has elected to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company cannot predict whether investors will find its common stock less attractive as a result of the Company taking advantage of these exemptions. If some investors find the Company's common stock less attractive as a result of these choices, there may be a less active trading market for the Company's common stock, and the Company's stock price may be more volatile.