Risk Factors Comparison 2024-02-28 to 2023-02-28 Form: 10-K

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

The Company' s operations and financial results are subject to various risks and uncertainties, including but not limited to those described below, which could adversely affect its business, financial condition, results of operations, cash flows and the trading price of its common stock. Risks Related to ~~the COVD- 19 Outbreak The economic impact of the COVID- 19 outbreak could adversely affect the Company' s financial condition and results of operations. Given the ongoing and dynamic nature of the COVID- 19 pandemic, including the rate of vaccine acceptance and the development of new variants, it is difficult to predict the full impact of the COVID- 19 outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when COVID- 19 can be controlled and abated. As the result of the COVID- 19 pandemic and any related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations: the demand for our products and services may decline, making it difficult to grow assets and income; if the economy worsens, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase; our ACL may increase if borrowers experience financial difficulties, which will adversely affect our net income; the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; our cyber security risks may increase if a significant number of our employees are forced to work remotely; and FDIC premiums may increase if the agency experiences additional resolution costs. Moreover, the Company' s future success and profitability substantially depends on the skills of its employees, including executive officers, many of whom have held their positions with the Company for many years. The unanticipated loss or unavailability of key employees and / or a large number of employees due to the pandemic could harm the Company' s ability to operate or execute its business strategy. The Company may not be successful in finding and integrating suitable replacements in the event of such employee loss or unavailability. Risks Related to~~ Lending ~~ActivitiesA~~ - **Activities A** substantial portion of the Company' s loan portfolio consists of CRE, including multi- family real estate loans, and commercial loans, which have a higher degree of risk than other types of loans. At December 31, ~~2022~~ **2023** , $ ~~4~~ **5** . ~~8~~ **6** billion, or 99. ~~5~~ **7** % of total loans, consisted of CRE and C & I loans. These portfolios have grown in recent years and the Company intends to continue to emphasize these types of lending **. The Company lends against a variety of asset classes, including skilled nursing facilities, healthcare, multi- family, office, hospitality, mixed use, retail, and warehouse** . CRE, including multi- family real estate, and commercial loans are often larger and involve greater risks than other types of loans since payments on such loans are often dependent on the successful operation or development of the property or business involved. **A** ~~Accordingly, a~~ downturn in the real estate market and / or a challenging business and economic environment may increase the Company' s risk related to CRE, multi- family real estate and commercial loans. If the cash flows from business operations of our customers is reduced, the borrower ~~' s ability~~ **may be unable** to repay the loan ~~may be impaired~~ **according to the contractual terms of the loan agreement** . Further, due to the larger average size of such loans and that they are secured by collateral that is generally less readily- marketable as compared with other loan types, losses incurred on a small number of such loans could have a material adverse impact on the Company' s financial condition and results of operations. If we foreclose on these loans, our holding period for the collateral typically is longer than for a single or multi- family residential property because there are fewer potential purchasers of the collateral. In addition, CRE loan concentration is an area that has experienced heightened regulatory focus. Under CRE guidance issued by banking regulators, banks with holdings of CRE, land development, construction, and certain multi- family loans in excess of certain thresholds must employ heightened risk management practices, including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. These loans are also subject to written policies that establish certain limits and standards. Such compliance requirements imposed on the Company' s CRE, multi- family or construction lending and the potential limits to the generation of these types of loans could have a material adverse effect on its financial condition and results of operations. While it is management' s belief that policies and procedures with respect to the CRE portfolio have been implemented consistent with this guidance, bank regulators could require that additional policies and procedures be implemented that may result in additional costs or that may result in the curtailment of CRE lending that would adversely affect the Bank' s loan originations and profitability. ~~26Because~~ -- **Because** the Company intends to continue to increase its commercial loans, its credit risk may increase. The Company intends to increase its portfolio of commercial loans, including working capital lines of credit, equipment financing, healthcare and medical receivables, documentary letters of credit and standby letters of credit. These loans generally have more risk than one- to four- family residential mortgage loans and CRE loans. Since repayment of commercial loans depends on the successful management and operation of borrowers' businesses, repayment of such loans can be affected by adverse conditions in the local and national economy. In addition, commercial loans generally have a larger average size as compared with other loans, and the collateral for commercial loans is generally less readily- marketable. If we foreclose on these loans, our holding period for the collateral typically is longer than for a single or multi- family residential property because there are fewer potential purchasers of the collateral. The Company' s plans to increase its portfolio of these loans could result in increased credit risk in the portfolio. An adverse development with respect to one loan or one credit relationship can expose the Company to significantly greater risk of loss compared to an adverse development with respect to a one- to four- family residential mortgage loan or a CRE loan. If the allowance for credit losses is not sufficient to cover actual loan losses, earnings could decrease. ~~In June 2016, the FASB issued an accounting standard~~

~~update, " Financial Instruments – Credit Losses (ASC 326), Measurement of Credit Losses on Financial Instruments, " which replaces the current " incurred loss " model for recognizing credit losses with an " expected loss " model referred to as the CECL model. The Company adopted this guidance effective January 1, 2023. For a discussion of the impact please see " NOTE 3 – SUMMARY OF RECENT ACCOUNTING PRONOUNCEMENTS " to the Company' s consolidated financial statements in this Form 10- K.~~ 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. The Company may experience significant credit losses, which could have a material adverse effect on its 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 credit losses, management reviews the quality of its loan portfolio and its loss and delinquency experience and evaluates industry trends and economic conditions. The determination of the appropriate level of allowance is subject to judgment and requires the Company to make significant estimates of current credit risks and future trends, all of which are subject to material changes **. In estimating the allowance, the Company relies on models and economic forecasts developed by external parties as the primary driver of the allowance. These models and forecasts are based on nationwide sets of data. Economic forecasts can change significantly over an economic cycle and have a significant level of uncertainty associated with them. The performance of the models is dependent on the variables used in the models being reasonable predictors for the loan portfolio' s performance, however, these variables may not capture all sources of risk within the loan portfolio** . If assumptions prove to be incorrect, the ACL may not cover losses in the loan portfolio at the date of the financial statements. Significant additions to the allowance would materially decrease net income. In addition, federal and state regulators periodically review the ACL, the policies and procedures the Company uses to determine the level of the allowance and the value attributed to non-performing loans or to real estate acquired through foreclosure. Such regulatory agencies may require an increase in the ACL or the Company to recognize loan charge- offs. Any significant increase in the ACL or loan charge- offs as required by these regulatory agencies could have a material adverse effect on the results of operations and financial condition. The performance of the Company' s multi- family and mixed- use loans could be adversely impacted by regulation. Multi- family and mixed- use loans generally involve a greater risk than one- to- four family residential loans because of legislation and government regulations involving rent control and rent stabilization, which are outside the control of the borrower or the Company, and could impair the value of the security for the loan or the future cash flows of such properties. As a result of these restrictions, it is possible that rental income on certain rent- regulated properties might not rise sufficiently over time to satisfy increases in the loan rate at repricing or increases in overhead expenses (e. g., utilities, taxes, etc.). At December 31, ~~2022~~ **2023** , the Company has $ ~~161~~ **174** . ~~4~~ **9** million of **New York City** rent- regulated stabilized multi- family loans, which had a weighted- average LTV of ~~42~~ **45** . ~~24~~ **4** % at the date of ~~last~~ **the most recent** appraisal, **and** a weighted average debt coverage ratio of ~~3~~ **2** . ~~34x~~ **5x** . ~~27The~~ -- **The** Company could be subject to environmental risks and associated costs on its foreclosed real estate assets, which could materially and adversely affect its financial condition and results of operation. A material portion of the Company' s loan portfolio is comprised of loans collateralized by real estate. There is a risk that hazardous or toxic waste could be discovered on the properties that secure these loans. If the Company acquires such properties as a result of foreclosure, it could be held responsible for the cost of cleaning up or removing this waste, and this cost could exceed the value of the underlying properties and materially and adversely affect the Company' s financial condition and results of operation. Risks Related to Economic ConditionsInflation 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 **rising** inflation decreases the value of money. **As** ~~Over the past year, in response to~~ a ~~pronounced rise in~~ **result of sustained** ~~inflation~~ **inflationary pressures** , the Federal Reserve Board has raised certain benchmark interest rates **several times and has previously indicated its willingness** to **continue to maintain increased interest rates if needed to further** combat inflation. As discussed below under **"** — ~~"~~Risks Related to Market Interest ~~Rates~~ **27Rates** — Interest rate shifts may reduce net interest income and otherwise negatively impact the Company' s financial condition and results of operation. " Inflationary conditions and rising market interest rates may lead to declines in the value of our investment securities, particularly those with longer maturities, 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 administered by the Federal Reserve to tame persistent inflationary price pressures could also push down asset prices and weaken economic activity. A deterioration in economic conditions in the United States and our markets could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition and results of operations. A downturn in economic conditions could cause deterioration in credit quality, which could depress net income and growth. The Company' s principal economic risk is the creditworthiness of its borrowers, which is affected by the strength of the relevant business market segment, local market conditions, and general economic conditions. The Company' s loan portfolio includes many real estate secured loans, demand for which may decrease during an economic downturn as a result of, among other things, an increase in unemployment, a decrease in real estate values or a slowdown in housing. If negative economic conditions develop in the New York market or the United States, the Company could experience higher delinquencies and loan charge- offs, which would adversely affect its net income and financial condition. Furthermore, to the extent that real estate collateral is obtained through foreclosure, the costs of holding and marketing real estate collateral, as well as the ultimate values obtained from disposition, could reduce earnings and adversely affect the Company' s financial condition. The Company' s business and operations may be adversely affected by weak economic conditions. The Company' s business and operations, which primarily consist of lending money to customers, borrowing money from customers in the form of deposits and investing in securities, are sensitive to general business and economic conditions in the United States. If the U. S. economy weakens, growth and profitability from the Company' s lending, deposit and investment operations could be constrained. Uncertainty about the federal fiscal policymaking process, the medium- and long- term fiscal outlook of the federal government, and future tax rates is a concern for businesses, consumers and investors in the United States. The Company' s 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 the Company' s control. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. ~~28A~~ **Financial challenges at other banking institutions could lead to depositor concerns that spread within the banking industry causing disruptive deposit outflows and other destabilizing results. In 2023, certain specialized banking institutions with elevated concentrations of uninsured deposits experienced large deposit outflows, resulting in the institutions being placed into FDIC receiverships. In the aftermath, there has been substantial market disruption and indications that deposit concerns could spread within the banking industry, leading to deposit outflows and other destabilizing results that could adversely affect the Company' s business, financial condition and results of operations. A** substantial majority of the Company' s loans and operations are in New York, and therefore its business is particularly vulnerable to a downturn in the New York City economy. The Company is a community banking institution that provides banking services to the local communities in the market areas in which it operates, and therefore, its ability to diversify its economic risks is limited by its local markets and economies. A large portion of the Company' s business is concentrated in New York, and in New York City in particular. ~~A~~ **28A** significant decline in local economic conditions, caused by inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond the Company' s control, would likely cause an increase in the rates of delinquencies, defaults, foreclosures, bankruptcies and losses in its loan portfolio. As a result, a downturn in the local economy, generally and the real estate market specifically, could significantly reduce the Company' s profitability and growth and adversely affect its financial condition. Risks Related to Market Interest RatesThe reversal of monetary policy actions that resulted in a historically low interest rate environment may adversely affect our net interest income and profitability. The Federal Reserve Board exercised monetary policy actions that decreased benchmark interest rates significantly, in response to the COVID- 19 pandemic. The Federal Reserve Board has reversed its easy money policies given its concerns over inflation. Market interest rates have risen in response to the change in the Federal Reserve Board' s monetary policies. As discussed below, the increase in market interest rates is expected to have an adverse effect on our net interest income and profitability. Interest rate shifts may reduce net interest income and otherwise negatively impact the Company' s financial condition and results of operations. The majority of the Company' s banking assets are monetary in nature and subject to risk from changes in interest rates. The Company' s earnings depend, to a great extent, upon the level of its net interest income (the difference between the interest income earned on loans, investments, other interest earning assets, and the interest paid on interest bearing liabilities, such as deposits and borrowings). Changes in interest rates can increase or decrease 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 the Company' s ability to originate loans and decrease loan repayment rates. A decrease in the general level of interest rates may affect the Company through, among other things, increased prepayments on its loan portfolio and increased competition for deposits. Accordingly, changes in the level of market interest rates affect the Company' s net yield on interest earning assets, loan origination volume and overall results. If market interest rates rise rapidly, interest rate caps may limit increases in the interest rates on certain adjustable- rate loans, thus limiting the upside to our net interest income. Also, certain adjustable- rate loans re- price based on lagging interest rate indices. This lagging effect may also negatively impact our net interest income when general interest rates continue to rise periodically. The Company' s securities portfolio may be impacted by fluctuations in market value, potentially reducing accumulated other comprehensive income and / or earnings. During the year ended December 31, ~~2022~~ **2023** , we reported an other comprehensive ~~loss~~ **gain** of $ ~~76~~ **11** . ~~9~~ **1** million related to net changes in unrealized losses in the AFS securities portfolio. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. ~~29Changes --~~ **Changes** in the estimated fair value of securities may reduce stockholders' equity and net income. At December 31, ~~2022~~ **2023** , we had ~~$ 445. 7 million of~~ AFS securities **with an amortized cost of $ 539. 0 million and a fair value of $ 461. 2 million** . The estimated fair value of the AFS securities portfolio may change depending on the credit quality of the underlying issuer, market liquidity, changes in interest rates and other factors. Stockholders' equity is increased or decreased by the amount of the change in the unrealized gain or loss (difference between the estimated fair value and the amortized cost) of the AFS securities portfolio, net of the related tax expense or benefit, under the category of accumulated other comprehensive income (loss). **At** ~~During the year ended~~ December 31, ~~2022~~ **2023** , we reported an **accumulated** other comprehensive loss of $ ~~76~~ **54** . ~~9~~ **7** ~~million~~ **29million , net of tax,** related to net changes in unrealized losses in the AFS securities portfolio, which negatively impacted stockholders' equity, as well as book value per common share. ~~Risk~~ **Risks** Related to the Company' s OperationsA failure in the Company' s operational **and / or information** systems or infrastructure, or those of third parties **, including cyber- attacks** , could impair the Company' s liquidity, disrupt its businesses, result in the unauthorized disclosure of confidential information, damage its reputation **,** and cause financial losses. The Company ~~' s~~ **relies upon** ~~operations~~ **operational** ~~rely~~ **and information systems, some of which are managed by third parties, to process, transmit and store electronic information and to manage or support a variety of our business processes, activities and products. Additionally, we collect and store sensitive data,**

including the personally identifiable information of our customers and employees, in data centers and on **information** ~~its computer~~ systems ~~, networks and~~ **(including systems that may be controlled or maintained by** third **parties)** ~~- party providers for the secure processing, storage and transmission of confidential and other sensitive customer information~~ . The Company' s business, and in particular, the debit card and cash management solutions business and global payments business, is dependent on its 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 provided to clients, often must adhere to client- specific guidelines, as well as legal and regulatory standards. Due to the breadth and geographical reach of the Company' s client base, developing and maintaining its operational **and information** systems and infrastructure is challenging, particularly as a result of rapidly evolving legal and regulatory requirements and technological shifts. Although the Company **continues to** ~~takes~~ - **take** protective measures to maintain the confidentiality, integrity and security of **our operational and** information ~~, its computer~~ systems ~~, software~~ and ~~networks~~ **infrastructure, the techniques used in cyberattacks are becoming increasingly diverse and sophisticated. For example, the Company' s operational and information systems or infrastructure, or those of our third- party providers,** may be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, ~~unavailability~~ **disruptions** of service, computer viruses or other malicious code, **cyberattacks** ~~cyber- attacks~~ and other ~~events~~ **incidents** that could ~~have~~ **create a cybersecurity event, any of which could remain undetected for** an ~~adverse security impact~~ **extended period of time** . Furthermore, the Company may not be able to ensure that all of its clients, suppliers, counterparties and other third parties have appropriate controls in place to protect themselves from **cyberattacks** ~~cyber- attacks~~ or to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. Given the increasingly high volume of transactions, certain errors may be repeated or compounded before they can be discovered and rectified. In addition, the increasing reliance on ~~technology~~ **information** systems **,** ~~and networks~~ and the occurrence and potential adverse impact of attacks on such systems ~~and networks~~ , both generally and in the financial services industry, have ~~enhanced~~ **encouraged increased** government and regulatory scrutiny of the measures taken by companies to protect against ~~cyber- security~~ **cybersecurity** threats **and incidents** . As these threats **, incidents** and government and regulatory oversight of associated risks continue to evolve, the Company may be required to expend additional resources to enhance or expand upon the security measures it currently maintains. Although the Company has developed, and continues to invest in, systems and processes that are designed to detect and prevent security breaches and **cyberattacks** ~~cyber- attacks~~ , a breach of its systems and global payments infrastructure or those of our ~~fintech~~ **non- bank financial service** partners and processors could result in: losses to the Company and its customers; loss of business and / or customers; damage to its 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 its business; an inability to grow its online services or other businesses; additional regulatory scrutiny or penalties; and / or exposure to civil litigation and possible financial liability — any of which could have a material adverse effect on the Company' s business, financial condition and results of operations. **We have not encountered cybersecurity threats or incidents that have materially and adversely affected, or are reasonably likely to materially and adversely affect, the Company' s business, results of operations or financial condition; however, the impacts of such threats or incidents in the future may be material. While the Company maintains cybersecurity insurance, the costs related to cybersecurity threats or disruptions may not be fully insured. For information on our cybersecurity risk management, strategy and governance, see Part I, Item 1C., " Cybersecurity. "** ~~The~~ **30The** Company faces risks related to its operational, technological and organizational infrastructure. The Company' s ability to grow and compete is dependent on its ability to build or acquire and manage the necessary operational and technological infrastructure and to manage the cost of that infrastructure as it expands. 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. In addition, the Company is heavily dependent on the strength and capability of its technology systems, which are used both to interface with customers and manage internal financial and other systems. The Company' s ability to develop and deliver ~~30new~~ -- **new** products and services that meet the needs of its existing customers and attract new ones depends on the functionality of its technology systems. The financial services industry is undergoing rapid technological changes with frequent introductions of new technology- driven products and services. The Company' s future success will depend in part upon its ability to address the needs of its clients by using technology to provide products and services that will satisfy client demands for convenience as well as provide secure electronic environments and create additional efficiencies as it continues to grow and expand its market area. The Company continuously monitors its operational and technological capabilities and makes modifications and improvements ~~when~~ **as** it **deems appropriate** ~~believes it will be cost effective to do so~~ . Many of the Company' s larger competitors have substantially greater resources to invest in operational and technological infrastructure. As a result, competitors may be able to offer more convenient products and services than the Company, which would put it at a competitive disadvantage. The Company also outsources some of its operational and technological infrastructure ~~, including modifications and improvements to these systems,~~ to third parties. If these third- party service providers experience difficulties, fail to comply with banking regulations or terminate their services and if the Company is unable to replace them with other service providers, its operations could be interrupted. If an interruption were to continue for a significant period of time, its business, financial condition and results of operations could be adversely affected, perhaps materially. Even if the Company were able to replace the third- party providers, it may be at a higher cost, which could adversely affect its business, financial condition and results of operations. **We may undertake initiatives meant to expand our digital capabilities or elect to improve and update our information technology systems. The failure to achieve the goals of any such improvements, updates or initiatives, the inability to maintain anticipated expenses, or delays in executing our plans may materially adversely affect our business, financial condition, or results of operation. Due to the Company' s dependence on**

information technology systems and the important role they play in our business operations, we must constantly improve and update our information technology infrastructure, which can require significant resources. In addition, the Company may decide to undertake initiatives that are intended to improve, among other things, the scalability of our information systems, increase the Company' s data mining abilities, improve payment processing capabilities and enhance our customers' experience. We may not succeed in executing any of these improvements, updates or initiatives, may fail to properly estimate the costs of such improvements, updates or initiatives, or may experience delays in executing our plans, any of which may in turn cause the Company to incur costs that exceed our expectations or disrupt our operations, including our technological services to our customers, or otherwise adversely affect our business, financial condition or results of operations. To the extent that these disruptions persist over time and / or recur, this could negatively impact our competitive position, require additional expenditures, or harm our relationships with our customers and thus may materially and adversely affect our business, financial condition, or results of operations. The Company is 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 the Company to financial losses or regulatory sanctions and have a material adverse impact on its reputation. Misconduct by its employees could include concealing unauthorized activities, engaging in improper or unauthorized activities on behalf of customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. Employee errors could also subject the Company to financial claims for negligence. ~~The~~ **31The** Company maintains a system of internal controls and insurance coverage to mitigate operational risks, including data processing system failures and errors and customer or employee fraud. If 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 impact on the Company' s business, financial condition and results of operations. The Company relies heavily on its executive management team and other key employees and could be adversely affected by the unexpected loss of their services. The Company' s success depends in large part on the performance of its key personnel, as well as on its ability to attract, motivate and retain highly qualified senior and middle management and other skilled employees. Competition for employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute its business plan may be lengthy. The Company may not be successful in retaining its key employees, and the unexpected loss of services of one or more of key personnel could have a material adverse effect on its business because of their skills, knowledge of primary markets, years of industry experience and the difficulty of promptly finding qualified replacement personnel. If the services of any key personnel should become unavailable for any reason, the Company may not be able to identify and hire qualified persons on acceptable terms, or at all, which could have a material adverse effect on the business, financial condition, results of operations and future prospects of the Company. If the Company' s enterprise risk management framework is not effective at mitigating interest rate risk, market risk and strategic risk, the Company could suffer unexpected losses and its results of operations could be materially adversely affected. The Company' s enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. The Company has established processes and procedures intended to ~~31identify~~ -- **identify** , measure, monitor and report the types of risk to which it is subject, including credit, liquidity, operational, regulatory compliance and reputational risks. However, as with any risk management framework, there are inherent limitations to these risk management strategies as there may exist, or develop in the future, risks that have not been appropriately anticipated or identified. If the Company' s risk management framework proves ineffective, it could suffer unexpected losses and its business and results of operations could be materially adversely affected. 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 and maturity schedules of loans **and investments** to ensure that there is adequate liquidity to fund its 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 deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk / return tradeoff, 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~~ **supply of** deposits may be reduced due to a variety of factors such as 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 borrowings from the FHLB of New York. The Company also has an available line of credit with the FRBNY discount window. The Company **may** 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. ~~Any~~ **32Any** 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 repaying borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on its liquidity, business, financial condition and results of operations. Other Risks Related to the Company' s BusinessNew lines of business or new products and services may subject us to additional risks.

From time to time, we may implement new lines of business or offer new financial products or services within existing lines of business. Substantial risks and uncertainties are associated with developing and marketing new lines of business or new products or services, particularly in instances where markets are not fully developed, and we may be required to invest significant time and management and capital resources in connection with such new lines of business or new products or services. External factors, such as regulatory reception, compliance with regulations and guidance, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business or new product or service may be expensive to implement and could also have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could reduce our revenues and potentially generate losses. The Company ~~may be adversely impacted by the transition from LIBOR as a reference rate. In 2017, the United Kingdom' s Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate the LIBOR. The overnight and 1-, 3-, 6- and 12- month USD LIBOR settings will 32cease to be published or cease to be representative after June 30, 2023. All other LIBOR settings ceased to be published or to be representative as of December 31, 2021. In the U. S., the Alternative Reference Rates Committee of the FRB and the FRBNY identified the SOFR as an alternative U. S. dollar reference interest rate. The Company has a significant number of loans, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR could create considerable costs and additional risk. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates may differ from those referencing LIBOR. The transition may change the Company' s market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Additionally, banking regulators have stated that the failure to adequately prepare for LIBOR' s discontinuance could undermine financial stability and an institution' s safety and soundness and create litigation, operational and consumer protection risks. Furthermore, failure to adequately manage this transition process with customers could adversely impact the Company' s reputation or could have a material adverse effect on the Company' s business, financial condition and results of operations. The Company~~ is exposed to the risks of natural disasters and global market disruptions. The Company handles a substantial volume of customer and other financial transactions every day. Its 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 its control, including major infrastructure outages, natural disasters or events arising from local or larger scale political or social matters, including terrorist acts, pandemics, and **cyberattacks** ~~cyber- attacks~~. Operational risk exposures could adversely impact the Company' s results of operations, liquidity and financial condition, and cause reputational harm. Additionally, global markets may be adversely affected by natural disasters, the emergence of widespread health emergencies or pandemics, **cyberattacks** ~~cyber- attacks or campaigns~~, military conflict, terrorism **,** or other geopolitical events. Global market disruptions may affect the Company' s ~~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 the Company' s results of operations and financial condition, including capital and liquidity levels **. Climate change could adversely affect our business, affect client activity levels and damage the Company' s reputation. Concerns over the long- term impacts of climate change have led, and will continue to lead, to governmental efforts around the world to mitigate those impacts. Consumers and businesses are also changing their behavior and business preferences as a result of these concerns. New governmental regulations or guidance relating to climate change, as well as changes in consumers' and businesses' behaviors and business preferences, may affect whether and on what terms and conditions we will engage in certain activities or offer certain products or services. The governmental and supervisory focus on climate change could also result in the Company becoming subject to new or heightened regulatory requirements, such as requirements relating to operational resiliency or stress testing for various climate stress scenarios. Any such new or heightened requirements could result in increased regulatory, compliance or other costs or higher capital requirements. In connection with the transition to a low carbon economy, legislative or public policy changes and changes in consumer sentiment could negatively impact the businesses and financial condition of our clients, which may decrease revenues from those clients and increase the credit risk associated with loans and other credit exposures to those clients. Our business, reputation and ability to attract and retain employees may also be harmed if our response to climate change is perceived to be ineffective or insufficient. Furthermore, the long- term impacts of climate change may have a negative impact on our customers and their businesses. Physical risks include extreme storms or wildfires that damage or destroy property and inventory securing loans we make, or may interrupt our customer' s business operations, putting them in financial difficulty, and increasing the risk of default. 33Our customers are also facing changes in energy and commodity prices driven by climate change, as well as new regulatory requirements resulting in increased operational costs. Global pandemics, or localized epidemics, could adversely affect the Company' s financial condition and results of operations. Global pandemics, such as COVID- 19, or localized epidemics, could have a significant adverse impact on our financial condition and results of operations and we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations: the demand for our products and services may decline, making it difficult to grow assets and income; if the economy worsens, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase; our ACL may increase if borrowers experience financial difficulties, which will adversely affect our net income; the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; our cybersecurity risks may increase if a significant number of our employees are forced to work remotely; and FDIC premiums may increase if**

the agency experiences additional resolution costs . Risks Related to the Company' s Global Payments ~~BusinessRegulatory~~ **BusinessThe exit from all of the Company' s BaaS relationships may cost more than anticipated and may subject us to additional risk. In early 2024, the Company decided to exit all BaaS relationships. There are substantial risks and uncertainties associated with these efforts. Deposit accounts acquired through these relationships totaled $ 781 million, or 13. 6 % of total deposits, at December 31, 2023. If we cannot replace such deposits, we may be required to seek alternative and potentially higher rate funding sources as compared to the existing relationships, which could adversely affect our results of operations. We expect to incur a number of other costs associated with the exit from all of our BaaS relationships through at least the end of 2024, including those related to notifying customers and other interested parties of our decision to exit such relationships, and our results of operations could be adversely impacted in future periods if this exit takes significantly longer than anticipated, if we incur additional, unanticipated costs, or if we face litigation related to the exit. Failure to successfully manage any of these or other risks while exiting these BaaS relationships could have a material adverse effect on our business, financial condition and results of operations. See Part II, Item 7., " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Recent Events. " Regulatory** scrutiny of ~~BaaS~~ **non- bank financial service** solutions and related technology considerations has recently increased. We provide global payments infrastructure access to our ~~fintech~~ **non- bank financial service** partners, which includes serving as an issuing bank for third- party managed prepaid and debit card programs nationwide and providing other financial services infrastructure, including cash settlement and custodian deposit services. Recently, federal bank regulators have increasingly focused on the risks related to bank and ~~fintech~~ **non- bank financial service** company partnerships, raising concerns regarding risk management, oversight, internal controls, information security, change management, and information technology operational resilience. This focus is demonstrated by recent regulatory enforcement actions against ~~other~~ banks that have allegedly not adequately addressed these concerns while growing their ~~BaaS~~ **non- bank financial service** offerings. Additionally, there are ongoing investigations by federal and state governmental entities concerning a prepaid debit card product program that was offered by the Company through an independent program manager. We could be subject to additional regulatory scrutiny with respect to that portion of our business that could have a material adverse effect on the business, financial condition, results of operations and growth prospects of the Company. See " **—** ~~Risk~~ **Risks** ~~Factors~~ **Related to Laws and Regulation and Their Enforcement** — The Company and the Bank' s 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 it. " ~~The~~ **34The** Company faces intense competition in the global payments industry. The global payments industry is highly competitive, continuously changing, highly innovative, and increasingly subject to regulatory scrutiny and oversight. Many areas in which the Company competes evolve rapidly with innovative and disruptive technologies, shifting user preferences and needs, price sensitivity of merchants and consumers, and frequent introductions of new products and services. Competition also may intensify as new competitors emerge, businesses enter ~~33into~~ -- **into** business combinations and partnerships, and established companies in other segments expand to become competitive with various aspects of our business. The Company competes with a wide range of businesses, some of which are larger operationally and / or financially, have larger customer bases, greater brand recognition, longer operating histories, a dominant or more secure position, broader geographic scope, volume, scale, resources, and market share than the Company, or offer products and services that the Company does not offer, which may provide them significant competitive advantages. Some competitors may also be subject to less burdensome regulatory requirements or may be smaller or younger companies that may be more agile and effective in responding quickly to user needs, technological innovations, and legal and regulatory changes. These competitors may devote greater resources to the development, promotion, and sale of products and services, and / or offer lower prices or more effectively offer their own innovative programs, products, and services. If the Company is not able to differentiate its products and services from those of its competitors, drive value for customers, or effectively and efficiently align its resources with its goals and objectives, the Company may not be able to compete effectively in the market. We derive a percentage of our deposits from deposit accounts generated through our ~~BaaS~~ relationships **with non- bank financial service companies** . Deposit accounts acquired through these relationships totaled $ **781** ~~1. 2 billion~~ **million** , or ~~23~~ **13** . ~~5~~ **6** % of total deposits, at December 31, ~~2022~~ **2023** . We provide oversight over these relationships, which must meet all internal and regulatory requirements. We may exit relationships where such requirements are not met or be required by our regulators to exit such relationships. Also, our partner (s) could terminate a relationship with us for many reasons, including being able to obtain better terms from another provider or dissatisfaction with the level or quality of our services. If a relationship were to be terminated, it could materially reduce our deposits and impact our liquidity. If we cannot replace such deposits, we may be required to seek alternative and potentially higher rate funding sources as compared to the existing relationship resulting in an increase in interest expense. We may also find it necessary to sell securities or other assets to meet funding needs, which could result in realized losses. Changes in card network fees could impact operations. Card networks periodically increase the fees (known as interchange fees) that are charged to acquirers and that the Company charges to its merchants. It is possible that competitive pressures will result in the Company absorbing a portion of such increases in the future, which would increase its costs, reduce profit margin and adversely affect its business and financial condition. In addition, the card networks require certain capital requirements. An increase in the required capital level would further limit the use of capital for other purposes. The Company' s business could suffer if there is a decline in the use of prepaid cards as a payment mechanism or if there are adverse developments with respect to the prepaid financial services industry in general. As the prepaid financial services industry evolves, consumers may find prepaid financial services to be less attractive than traditional or other financial services. If consumers do not continue or increase their usage of prepaid cards, including making changes in the way prepaid cards are loaded, the Company' s operating revenues and prepaid card deposits may remain at current levels or decline. Any projected growth for the industry may not occur or may occur more slowly than estimated. If consumer acceptance of prepaid financial services does not continue to develop or develops more slowly than expected or if there is a shift in the mix of payment forms away from the Company' s products and services, it could have a material adverse effect on the Company' s financial position and results of operations. ~~The~~ **35The** potential for fraud in the card payment industry is significant. Issuers of prepaid and debit cards and other companies have suffered significant losses in recent years with respect to the theft of cardholder data that has been illegally exploited for personal gain. The theft of such information is regularly reported and affects individuals and businesses. Losses from various types of fraud have been substantial for certain card industry participants. The Bank in many cases has indemnification agreements with third parties; however, such indemnifications may not fully cover losses. ~~In addition~~ **As previously disclosed** , there ~~are~~ **have been and continue to be** ongoing investigations by ~~federal and state~~ governmental entities concerning a prepaid debit card product program that was offered by **GPG,** ~~the Company through an~~ **and** ~~independent~~ **the Bank entered into separate consensual resolutions with each of the FRB and the NYSDFS with respect to their investigations, each of which is now closed as a result of the respective orders. Additional enforcement or other actions arising out of the prepaid debit card** program ~~34manager~~ **in question could have a materially adverse effect on the Company and the Bank' s assets, business, cash flows, financial condition, liquidity, prospects and / or results of operations** . See " **—** ~~Risk~~ **Risks** ~~Factors —~~ **related to Laws and Regulation and Their Enforcement —** The Company and the Bank' s 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 it. " **and Part I, Item 3. " Legal Proceedings. "** A portion of the Company' s business provided banking services to digital currency businesses and their customers, and changes in the digital currency industry or the digital currency businesses we provided services to may have adversely affected our growth and profitability or damaged our reputation. The Company provided cash management solutions to digital currency businesses and their customers. ~~The~~ **In 2023, the** Company ~~recently~~ announced that it ~~will~~ **was** fully ~~exit~~ **exiting** its digital currency business ~~due to~~ **. This decision followed a careful review by the Board of Directors and management and reflected** recent developments in the crypto- asset industry, material changes in the regulatory environment regarding banks' involvement in **digital currency** ~~crypto- asset related businesses~~ -- **business** , and a strategic assessment of the business case for the Company' s further involvement at this time. **Aside from related low cost deposit outflows, there was minimal financial impact from the exit of this business.** See **Part II, Item 7.,** " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Recent Events. " ~~As a portion of our business provided banking services to digital currency businesses and their customers, changes in the regulatory environment, individually or in the aggregate, could have had a material adverse effect on our profitability, financial condition and growth of our business, or damage our reputation.~~ Regulatory and legal requirements applicable to the prepaid and debit card industry are unique and frequently changing. Achieving and maintaining compliance with frequently changing legal and regulatory requirements requires a significant investment in qualified personnel, hardware, software and other technology platforms, external legal counsel and consultants and other infrastructure components. These investments may not ensure compliance or otherwise mitigate risks involved in this business. Our failure to satisfy regulatory mandates applicable to prepaid financial products could result in actions against us by our regulators, legal proceedings being instituted against us by consumers, or other losses, each of which could reduce our earnings or result in losses, make it more difficult to conduct our operations, or prohibit us from conducting specific operations. Other risks related to prepaid cards include competition for prepaid, debit and other payment mediums, possible changes in the rules of networks, such as Visa and MasterCard and others, in which the Bank operates and state regulations related to prepaid cards including escheatment. Risks Related to Competitive MattersThe Company operates in a highly competitive industry and faces significant competition from other financial institutions and financial services providers, the result of which may decrease growth or profits. The Company' s 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 and a growing presence of ~~fintech~~ **non- bank** financial services companies. The Company competes with other state and national financial institutions, savings and loan associations, savings banks, credit unions and other companies offering financial services. Some of these competitors have a longer history of successful operations nationally and in the New York market area, greater ties to businesses, more expansive banking relationships, more established depositor bases, fewer regulatory constraints, better technology, and lower cost structures than the Company does. Competitors with greater resources may possess an advantage through their ability to maintain numerous banking locations in more convenient sites, conduct more extensive promotional and advertising campaigns, or ~~operate~~ **36operate** 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 the Company can offer. Further, increased competition among financial services companies due to the continued consolidation of financial institutions may adversely affect the Company' s ability to market its products and services. In addition, the Company' s legally mandated lending limits are lower than those of certain of its competitors that have greater capital. Lower lending limits may discourage borrowers with lending needs that exceed these limits from doing business with the Company. The Company may try to serve such borrowers by selling loan participations to other financial institutions; however, this strategy may not succeed. ~~35Risks~~ -- **Risks** Related to Business StrategyThe Company may not be able to grow and if it does, it may have difficulty managing that growth. The Company' s ability to grow depends, in part, upon its ability to expand its market share, successfully attract deposits, and identify loan and investment opportunities as well as opportunities to generate fee- based income. The Company may not be successful in increasing the volume of loans and deposits at acceptable levels and upon terms it finds acceptable. The Company may also not be successful in expanding its operations organically or through strategic acquisitions while managing the costs and implementation risks associated with this growth strategy. The Company expects to grow the number of employees and customers and the scope of its operations, but it may not be able to sustain its historical rate of growth or continue to grow its business at all. Its success will depend upon the ability of its officers and key employees to continue to implement and improve operational and other systems, to manage multiple, concurrent customer relationships, and to hire, train and manage employees. In the event that the Company is unable to perform all these tasks and meet these challenges effectively, its growth prospects and earnings could be adversely impacted. **Uncertainty in the development, deployment, use and regulation of artificial intelligence could subject us to additional risks. As with many innovations, artificial intelligence (“ AI ”) presents risks and challenges that could adversely impact our business or our customers. The development, adoption, and use case for generative AI technologies are still in their early stages and may be ineffective or inadequate. AI development or deployment practices by the Company, our customers, or third- party developers or vendors could result in unintended consequences. For example, AI algorithms could be flawed or may be based on datasets that are biased or insufficient. There also may be real or perceived social harm, unfairness, or other outcomes that undermine public confidence in the use and deployment of AI. In addition, third parties may deploy AI technologies in a manner that reduces customer demand for our business or financial products and services. Any of the foregoing may result in decreased demand for our products, harm to our business, results of operations or reputation, or a negative impact on our customers and their business. The legal and regulatory landscape surrounding AI technologies is rapidly evolving and uncertain, including in the areas of intellectual property, cybersecurity, and privacy and data protection. Compliance with new or changing laws, regulations or industry standards relating to AI may impose significant operational costs and may limit our ability to develop, deploy or use AI technologies. Failure to appropriately respond to this evolving landscape may result in legal liability, regulatory action, or reputational harm.** Risks Related to Accounting MattersChanges in accounting standards could materially impact the Company’ s financial statements. From time to time, the FASB or the SEC may change the financial accounting and reporting standards that govern the preparation of the Company’ s financial statements. In addition, the bodies that interpret the accounting standards (such as banking regulators, **or** outside auditors ~~or management~~) may change their interpretations or positions on how these standards should be applied. These changes may be beyond the Company’ s control, can be hard to predict, and can materially impact how it ~~records~~ **37records** and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in it needing to revise or restate prior period financial statements. For more information on changes in accounting standards, see “ NOTE 3 ~~–~~ **—** SUMMARY OF RECENT ACCOUNTING PRONOUNCEMENTS ” to the Company’ s consolidated financial statements in this Form 10- K. **Risks** ~~The FASB issued an accounting standard update that will result in a significant change in how the Company recognizes credit losses, 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 (ASC 326), Measurement of Credit Losses on Financial Instruments, ” which replaces the current “ incurred loss ” model for recognizing credit losses with an “ expected loss ” model referred to as the CECL model. The Company adopted this guidance effective January 1, 2023. For a discussion of the impact please see “ NOTE 3 – SUMMARY OF RECENT ACCOUNTING PRONOUNCEMENTS ” to the Company’ s consolidated financial statements in this Form 10- K. Under the CECL model, the Company is required to present certain financial assets carried at amortized cost, such as loans held for investment and HTM debt securities, at the net amount expected to be collected. The measurement of expected credit losses is 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 place at the time the financial asset is first entered into and periodically thereafter. This differs significantly from the “ incurred loss ” model required under current GAAP, which delays recognition until it is probable a loss has been incurred. Accordingly, the Company expects that utilization of the CECL model will materially affect how it determines the ACL and the CECL model may create more volatility in the level of the ACL. If the Company is required to materially increase its level of the ACL for any reason, such increase could adversely affect its business, financial condition and results of operations. 36Risk~~ Related to Laws and Regulation and Their EnforcementThe Company and the Bank’ s 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 it. The Company and the Bank are subject to extensive examination, supervision and comprehensive regulation by various federal and state agencies that govern almost all aspects of their operations. These laws and regulations are not intended to protect the Company’ s stockholders. Rather, these laws and regulations are intended to protect customers, depositors, the DIF and the overall financial stability of the U. S **.** economy. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which the Company or the Bank can engage, limit the dividend or distributions that the Bank can pay to the Company, restrict the ability of institutions to guarantee the Company’ s debt, and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in capital than GAAP would require. **For further discussion see Part I, Item 1. “ Business — Regulation of the Bank — Capitalization ” and “ Business — Holding Company Regulation. ” Compliance with these laws and regulations is difficult and costly, and changes to these laws and regulations often impose additional compliance costs. Failure to comply with these laws and regulations could subject the Company and / or the Bank to restrictions on their business activities, fines and other penalties, the commencement of informal or formal enforcement actions against them, and other negative consequences, including reputational damage, any of which could adversely affect their business, financial condition, results of operations, capital base and the price of its securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive. The Dodd- Frank Act, among other things, imposed higher capital requirements on bank holding companies and changed the rules regarding FDIC insurance premiums. Compliance costs with the Dodd- Frank Act and its implementing regulations has and will continue to result in additional operating and compliance burdens that could have a material adverse effect on the business, financial condition, results of operations and growth prospects of the Company.** Additionally, there ~~are~~ **have been and continue to be** ongoing investigations by ~~federal and state~~ governmental entities concerning a prepaid debit card product program that was offered by **GPG. As previously disclosed,** the ~~Company through~~ **Bank entered into (i)** an ~~independent~~ **Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent with the**

FRB (the " FRB Consent Order "), effective October 16, 2023, and (ii) a Consent Order with the NYSDFS (the " NYSDFS Consent Order "), effective October 18, 2023. The FRB Consent Order and NYSDFS Consent Order constitute separate consensual resolutions with each of the FRB and the NYSDFS with respect to their investigations, each of which is now closed as a result of such order. The FRB Consent Order provided for a civil money penalty of $ 14. 5 million and requires the Bank' s Board of Directors to submit a plan to further strengthen board oversight of the management and operations of GPG and the Bank to develop, among other things, a written plan to enhance the Bank' s customer identification program ~~manager~~ **, a plan to improve the Bank' s customer due diligence program and a plan to enhance the Bank' s third party risk management program** . ~~These~~ -- **The NYSDFS Consent Order provided for** ~~include investigations as to which the Company is~~ a ~~subject by the FRB~~ **civil money penalty of $ 15. 0 million** and **requires the Bank to provide** certain **information regarding** ~~state authorities, including~~ the **Bank' s program to supervise third** ~~NYSDFS. During the early stages of the COVID~~ - ~~19 pandemic,~~ **party program managers and various status reports regarding certain compliance-related matters in connection with the Bank' s oversight of** third ~~parties used this~~ **- party program managers of the Bank' s** prepaid debit card **program** ~~product to establish unauthorized accounts and to receive unauthorized government benefits payments, including unemployment insurance benefits payments made pursuant to the CARES Act from many states~~ . The Company **fully reserved** ~~ceased accepting new accounts from this program manager in July of 2020 and has exited its relationship with this program manager. The Company is cooperating in these~~ -- **the** ~~investigations and continues to review this matter. The~~ foregoing ~~could result~~ **amounts payable to the FRB and NYSDFS through a regulatory settlement reserve** in **2022 and 2023. For further discussion see Part I, Item 3., " Legal Proceedings. " Additional** enforcement or other actions ~~against the Company and the Bank including civil money penalties and remedial measures. The Company is in discussions with the FRB and the NYSDFS with respect to consensual resolutions of their investigations. Although the Company is unable at this time to determine the final terms on which the FRB and NYSDFS investigations will be resolved or the timing of such resolutions, the Company accrued a charge of $ 35. 0 million during the fourth quarter of 2022 to establish a reserve for what the Company believes is a reasonable estimate of the probable loss associated with the FRB and NYSDFS settlements. If final settlements with the FRB and the NYSDFS are not reached and the FRB and the NYSDFS do bring public enforcement actions, such actions and their resolution, as well as any other matter~~ arising out of the ~~foregoing~~ **prepaid debit card** program ~~,~~ **or otherwise** could have a materially adverse effect on the Company and the Bank' s assets, business, cash flows, financial condition, liquidity, prospects and / or **38** ~~results of operations. Compliance with these laws and regulations is difficult and costly, and changes to these laws and regulations often impose additional compliance costs. Failure to comply with these laws and regulations could subject the Company and / or the Bank to restrictions on their business activities, fines and other penalties, the commencement of informal or formal enforcement actions against them, and other negative consequences, including reputational damage, any of which could adversely affect their business, financial condition, results of operations, capital base and the price of its securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive. The Dodd- Frank Act, among other things, imposed higher capital requirements on bank holding companies and changed the rules regarding FDIC insurance premiums. Compliance with the Dodd- Frank Act and its implementing regulations has and will continue to result in additional operating and compliance costs that could have a material adverse effect on the business, financial condition, results of operations and growth prospects of the Company. Legislative and regulatory actions may increase the Company' s costs and impact its business, governance structure, financial condition or results of operations. Federal and state regulatory agencies frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Certain aspects of regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted could: expose the Company to additional costs, including increased compliance costs; impact the profitability of the Company' s business activities; limit the fees we may charge; increase the ability of non- banks to offer competing financial services and products; change deposit insurance assessments; require more oversight; or change certain of its business practices, including the ability to offer new products, obtain financing, attract deposits, make loans 37~~