Risk Factors Comparison 2024-03-13 to 2023-03-16 Form: 10-K

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Please carefully consider the risks described below, together with all other information included or incorporated by reference in this Annual Report on Form 10- K. If any of the following risks actually occur, our business, financial condition, results of operations and cash flows could be materially adversely affected. In these circumstances, the market price of our common stock could decline significantly. Other factors that could affect our financial condition and operations are discussed in the Forward- Looking Statements at the beginning of this report. Risks Related to Economic and Market Conditions Continued elevated levels of inflation could adversely impact our business and results of operations. **General** ~~Recently, there have been market indicators of a pronounced rise in~~ inflation **in the United States has risen to levels not experienced in decades** and the Federal Reserve Board has ~~indicated its intention to raise~~ **raised** certain benchmark interest rates in an effort to combat inflation **in 2023. Specifically** , ~~which~~ **the Federal Reserve increased benchmark interest** rates ~~have increased~~ **multiple times** in 2022 and ~~the first quarter of~~ 2023 **. While the Federal Reserve did not increase benchmark interest rates at the June 2023 or September 2023 meeting, it indicated it may continue to raise benchmark interest rates in 2024 in an effort to curb the upward inflationary pressure on the cost of goods and services across the United States** . Continued levels of inflation could have complex effects on our business and results of operations, some of which could be materially adverse. For example, as interest rates rise in response to, or as a result of, elevated levels of inflation, the value of our securities portfolio becomes negatively impacted. In addition, while we generally expect any inflation- related increases in our interest expense to be offset by increases in our interest revenue, inflation- driven increases in our levels of noninterest expense could negatively impact our results of operations. Continued elevated levels of inflation could also cause increased volatility and uncertainty in the business environment, which could adversely affect loan demand and our clients' ability to repay indebtedness. It is also possible that governmental responses to the current inflation environment could adversely affect our business, such as changes to monetary and fiscal policy that are too strict, or the imposition or threatened imposition of price controls. The duration and severity of the current inflationary period cannot be estimated with precision. 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. **Throughout** ~~In March~~ 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. These market events could materially adversely affect our business ~~. We may continue to face risks and ongoing effects related to the COVID- 19 pandemic or other pandemics. The full impact of COVID- 19 is unknown and continually evolving. The outbreak of COVID- 19, its subsequent variants, and other pandemics in the future and any preventative or protective actions that we, our clients or governmental authorities may take in response to such pandemics may result in a period of disruption in our financial reporting capabilities and our operations, and could potentially impact our clients, providers and third parties. The extent to which the COVID- 19 pandemic impacts and future pandemics may impact our future operating results and the broader economy and markets in which we serve are uncertain and will depend on the duration and severity of the pandemic and on future developments. These developments include the availability, efficacy and distribution of vaccines, governmental actions to contain the virus or treat its impact, the ultimate length of any restrictions and accompanying effects and macroeconomic impacts, including lower stock prices for many companies, increased credit risk, market instability, altered labor market due to the transition to remote and hybrid work policies, high inflation rates and continued global disruptions to the supply chain. These factors could result in further decline in demand for banking products and services and could negatively impact, among other things, liquidity, regulatory capital and future growth. Banking and financial services have been designated essential businesses; therefore, our operations are expected to continue in the event of a pandemic. However, even after COVID- 19 has subsided, we may continue to experience materially adverse impacts to our business as a result of the virus' global economic impact, including the availability of credit, adverse impacts on liquidity and any recession that has occurred or may occur in the future. As a result, the ultimate impact of a pandemic is highly uncertain and subject to change~~ . Our business depends upon the general economic conditions and real estate markets of the State of West Virginia and the Commonwealth of Virginia, and may be adversely affected by downturns in these and the other local economies in which we operate. Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets where we operate, including the State of West Virginia, the Commonwealth of Virginia and the United States as a whole. Unlike larger national or other regional banks that are more geographically diversified, we provide banking and financial services primarily to customers across West Virginia and Virginia. The local economic conditions in these areas have a significant impact on the demand for our products and services, as well as the ability of our customers to repay loans, the value of the collateral securing loans and the stability of our deposit funding sources. Moreover, **27** ~~approximately 34~~ . ~~3~~ **2** % of the securities in our municipal securities portfolio were issued by political subdivisions or agencies within West Virginia and Virginia. A significant decline in general economic conditions in West Virginia or Virginia, whether caused by recession, inflation, unemployment, changes in crude oil prices, changes in securities markets, acts of terrorism, **outbreaks of any epidemics or pandemics,** outbreak of hostilities or other international or domestic occurrences or other factors could impact these local economic conditions and, in turn, have a material adverse effect on our business, financial condition and results of operations. Additionally, **72** ~~nearly 69~~ . ~~0~~ **4** % of our total loans are real estate interests (residential and non- residential, including both owner- occupied and investment real estate and construction and land development) mainly concentrated in **the** West Virginia ~~and~~ **,** Virginia, ~~a relatively small geographic area~~ **North Carolina and South Carolina markets** . As a result, declining real estate values in these markets could negatively impact the value of the real estate collateral securing such loans. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values in satisfaction of any non- performing or defaulted loans, our earnings and capital could be adversely affected. Severe weather (including climate change) and natural disasters could have significant effects on our business. Our business is subject to risk from external climate- related events that could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and / or cause additional expenses. Although management has established disaster recovery and business continuity policies and procedures, the occurrence of any such event could have a material adverse effect on our business, financial condition and results of operations. Climate change exposes us to physical risk as its effects may lead to more frequent and extreme shifts in weather patterns and more extreme weather events that could damage, destroy or otherwise impact the value or productivity of our properties and other assets; reduce the availability of insurance to cover losses; and / or disrupt our operations through prolonged outages. Such events and long- term shifts may also have a significant impact on our customers, which could amplify credit risk by diminishing borrowers' repayment capacity or collateral values, and other businesses and counterparties with whom we transact, which could have a broader impact on the economy, supply chains and distribution networks. Furthermore, banking regulators and other supervisory authorities, investors and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their customers, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, we face regulatory risk of increasing focus on our resilience to climate- related risks, including in the context of stress testing for various climate stress scenarios. Ongoing legislative or regulatory changes regarding climate risk management and practices may result in higher regulatory, compliance, credit and reputational risks and costs. Additionally, our reputation and ability to maintain client relationships and attract and retain employees may depend on the sufficiency of our policies and practices related to climate change, including our direct or indirect involvement in certain industries. Risks Related to Our Business Our non- residential real estate loans expose us to greater risks of non- payment and loss than residential mortgage loans, which may cause us to increase our allowance for ~~loan~~ **credit** losses, which would reduce net income. At December 31, ~~2022~~ **2023** , $ 1. ~~74~~ **63** billion, or ~~approximately 73~~ **70. 3** %, of our loan portfolio consisted of non- residential real estate and other non- residential loans. Non- residential real estate and other non- residential loans generally expose a lender to greater risk of non- payment and loss than residential mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the borrowers. Such loans expose us to additional risks because they typically are made on the basis of the borrower' s ability to make repayments from the cash flow of the borrower' s business and are secured by collateral that may depreciate over time. These loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential mortgage loans. Because such loans generally entail greater risk than residential mortgage loans, we may need to increase our allowance for ~~loan~~ **credit** losses in the future to account for the likely increase in probable incurred credit losses associated with the growth of such loans, which would reduce net income. Also, many of our non- residential real estate borrowers have more than one loan outstanding. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a residential mortgage loan. Our ~~investment in sub- prime automobile loans expose us to greater risks of non- payment, which may cause us to increase our~~ allowance for ~~loan losses, which would reduce net income. As of December 31, 2022, our loan portfolio consisted of $ 58. 1 million of sub- prime automobile loans. Considering the higher interest rates of sub- prime automobile loans and lower~~ credit ~~ratings of sub- prime borrowers, these types of loans are generally considered to have a greater risk of delinquency and non- payment than conforming loans and may require greater provisions for loan losses. We have experienced slight increases in delinquencies or non- payment in this portfolio compared to our other automobile loans and our loan portfolio may be adversely affected if we continue to experience an increase in delinquencies or non- payment. Consequently, we could sustain loan losses and be required to establish a higher provision for loan losses. Our allowance for loan~~ losses could become inadequate and reduce earnings and capital. The Bank maintains an allowance for ~~loan~~ **credit** losses that it believes is adequate for absorbing the estimated future losses inherent in its loan portfolio. Management conducts a periodic review and consideration of the loan portfolio to determine the amount of the allowance for ~~loan~~ **credit** losses based upon general market conditions, credit quality of the loan portfolio and performance of the Bank' s clients relative to their financial obligations with it. However, the amount of future losses is susceptible to changes in economic and other market conditions, including changes in interest rates and collateral values, which are beyond the Bank' s control, and these future losses may exceed its current estimates. Management performs stress tests on the loan portfolios to estimate future ~~loan~~ **credit** losses, but additional provisions for ~~loan~~ **credit** losses could be required in the future, including as a result of changes in the economic assumptions underlying management' s estimates and judgments, adverse developments in the economy on a national basis or in the Bank' s market area or changes in the circumstances of particular borrowers. We cannot predict with certainty the amount of losses or guarantee that the allowance for ~~loan~~ **credit** losses is adequate to absorb future losses in the loan portfolio. Excessive ~~loan~~ **credit** losses could have a material adverse effect on our financial condition and results of operations. The earnings from our investments in ICM and Warp Speed will be significantly reduced if ICM and Warp Speed are not able to sell mortgages. The profitability of ICM and Warp Speed depend in large part upon their ability to originate a high volume of loans and to sell them in the secondary market. Thus, they are dependent upon (i) the existence of an active secondary market and (ii) their ability to sell loans into that market. Volatile interest rate environments could increase this risk initially. However, past performance supports our ability to fund the increase in ICM' s production. ICM and Warp Speed' s ability to readily sell mortgage loans is dependent upon the availability of an active secondary market for single- family mortgage loans, which in turn depends in part upon the continuation of programs currently offered by Fannie Mae, Freddie Mac and other institutional and non- institutional investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. Some of the largest participants in the secondary market, including Fannie Mae and Freddie Mac, are government- sponsored enterprises with substantial market influence whose activities are governed by federal law. Any future changes in laws that significantly affect the activity of these government- sponsored enterprises and other institutional and non- institutional investors or any impairment of their ability to participate in such programs could, in turn, adversely affect our results of operations. Our largest source of revenue (net interest income) is subject to interest rate risk. The Bank' s financial condition and results of operations are significantly affected by changes in interest rates. The Bank' s earnings depend primarily upon its net interest income, which is the difference between its interest income earned on its interest- earning assets, such as loans and investment securities, and its interest expense paid on its interest- bearing liabilities, consisting of deposits and borrowings. Moreover, the loans included in our interest- earning assets are primarily comprised of variable and adjustable rate loans. Net interest income is subject to interest rate risk in the following ways: lIn general, for a given change in interest rates, the amount of change in value (positive or negative) is larger for assets and liabilities with longer remaining maturities. The shape of the yield curve may affect new loan yields, funding costs and investment income differently. lThe remaining maturity of various assets or liabilities may shorten or lengthen as payment behavior changes in response to changes in interest rates. For example, if interest rates decline sharply, loans may prepay, or pay down, faster than anticipated, thus reducing future cash flows and interest income. Conversely, if interest rates increase, depositors may cash in their certificates of deposit prior to maturity (notwithstanding any applicable early withdrawal penalties) or otherwise reduce their deposits to pursue higher yielding investment alternatives. lRe- pricing frequencies and maturity profiles for assets and liabilities may occur at different times. For example, in a falling rate environment, if assets re- price faster than liabilities, there will be an initial decline in earnings. Moreover, if assets and liabilities re- price at the same time, they may not be by the same increment. For instance, if the federal funds rate increased 50 basis points, rates on demand deposits may rise by ten basis points; whereas rates on prime- based loans will instantly rise 50 basis points. ~~The~~ **Recently, there have been market indicators of a pronounced rise in inflation and the** Federal Reserve Board ~~decreased~~ **has raised certain** benchmark interest rates ~~significantly, to near zero,~~ in ~~response~~ **an effort** to **combat** ~~the COVID- 19 pandemic. The Federal Reserve Board is now reversing its policy of near zero interest rates given its concerns over~~ inflation. **Continued** ~~In recent periods, market interest rates have risen in response to the Federal Reserve Board' s recent rate~~ increases ~~. The increase~~ in market interest rates could have an adverse effect on our net interest income and profitability. Although the Federal Reserve acted with the goal of avoiding abrupt or unpredictable changes in economic or financial conditions which would disrupt the financial systems, also known as " shocks, " the continuing impact of these changes cannot be certain. Vulnerabilities in the financial system can amplify the impact of an initial shock following rate increases, potentially leading to unintended volatility, as well to disruptions in the provision of financial services, such as clearing payments, the provision of liquidity and the availability of credit. Financial instruments do not respond in a parallel fashion to rising or falling interest rates. Given the interconnectedness of the global financial system, these vulnerabilities could impact our business operations and financial condition. Furthermore, any asymmetry in the magnitude of changes to net interest income, net economic value and investment income resulting from the hypothetical increases and decreases in interest rates could have an adverse effect on our results of operations. Interest rate risk is more fully described in Item 7A – Quantitative and Qualitative Disclosures About Market Risk included elsewhere in this report. Our gaming initiative has contributed significantly to an increase in our ~~noninterest bearing~~ deposits ~~, which has driven the Bank' s funding costs to levels that may not be sustainable~~ and creates concentration risk in our deposit base. Our gaming initiative has contributed significantly to an increase in our ~~noninterest bearing~~ deposits, and has allowed us to generate attractive returns on lower risk assets through increased investments in securities and loan growth. **On- balance sheet** ~~We have increased our noninterest bearing deposits as a percentage of total deposits from 10. 9 % as of December 31, 2017 to 47. 9 % as of December 31, 2022, an increase that is largely attributable to our~~ gaming ~~initiative. Gaming~~ deposits totaled $ ~~652~~ **354** . 1 million as of December 31, ~~2022~~ **2023** , compared to $ ~~911~~ **652** . ~~6~~ **1** million as of December 31, ~~2021~~ **2022** . ~~Of~~ **Off** ~~the~~ **- balance sheet** gaming deposits ~~,~~ **totaled** $ ~~536~~ **277** . ~~9~~ **1 million as of December 31, 2023, compared to $ 141. 2 million as of December 31, 2022. Of the gaming deposits, $ 292. 7** million is with our three largest clients at December 31, ~~2022~~ **2023** . Our future growth may be adversely impacted if we are unable to retain and grow this strong, low- cost deposit base. There may be competitive pressures to pay higher interest rates on deposits to our gaming customers, which could increase funding costs and compress net interest margins. Further, even if we are otherwise able to grow and maintain our **gaming** ~~noninterest bearing~~ deposit base, our deposit balances may still decrease if our gaming customers are offered more attractive returns from our competitors. If our gaming customers withdraw deposits, we could lose a low cost source of funds which would likely increase our funding costs and reduce our net interest income and net interest margin. These factors could have a material adverse effect on our business, financial condition and results of operations. We 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. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral held cannot be realized or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Any such losses could have a material adverse effect on our business, financial condition and results of operations. We operate in a highly competitive industry and market area and failure to effectively compete could have a material adverse effect on our business, financial condition and results of operations. We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include national, regional and community banks within the various markets where we operate. We also face competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Also, technology and other changes have lowered barriers to entry and made it possible for non- banks to offer products and services traditionally provided by banks. For example, consumers can maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and / or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as " disintermediation, " could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. Further, many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services, as well as better pricing for those products and services than we can. Our ability to compete successfully depends on a number of factors, including, among other things: lAbility to develop, maintain and build long- term customer relationships based on top quality service, high ethical standards and safe, sound assets; lAbility to **attract or retain senior management or other key customer- facing personnel; lAbility to** expand our market position; lScope, relevance and pricing of products and services offered to meet customer needs and demands; lRate at which we introduce new products and services relative to our competitors; lCustomer satisfaction with our level of service; andlIndustry and general economic trends. Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. The value of our goodwill and other intangible assets may decline in the future. As of December 31, ~~2022~~ **2023** , we had $ ~~5~~ **3** . ~~6~~ **2** million of goodwill and other intangible assets. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of our common stock may necessitate taking charges in the future related to the impairment of our goodwill and other intangible assets. If we were to conclude that a future write- down of goodwill and other intangible assets is necessary, we would record the appropriate charge, which could have a material adverse effect on our business, financial condition and results of operations. As of December 31, ~~2022~~ **2023** our equity method investment ICM also had $ ~~17~~ **15** . ~~7~~ **3** million of goodwill. A future write- down of goodwill at ICM could have **an** ~~a material~~ adverse effect on our results of operations based on our proportionate share of equity method investment income. ~~Transition away from LIBOR to SOFR as the primary interest rate benchmark may adversely impact the Bank, as well as the value of, and the return on, our financial instruments that are indexed to LIBOR. LIBOR and interest rate benchmarks are the subject of recent national, international and other regulatory guidance and reform. Based on guidance from the United Kingdom Financial Conduct Authority, who regulates LIBOR, all existing LIBOR obligations have or will transition to another benchmark by June 30, 2023, or earlier. On July 29, 2021, the Alternative Reference Rates Committee (" ARRC ") formally recommended SOFR as its preferred alternative replacement rate for LIBOR. The Bank has adopted SOFR as the LIBOR replacement rate and began offering SOFR- based products to customers in 2022. However, the transition from LIBOR to SOFR could create considerable costs and additional risk. Since SOFR rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. The uncertainty or differences in the calculation of applicable interest rates or payment amounts depending on the terms of governing instruments and may also increase operational and other risks to us and the industry. The transition may change the Bank' s market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with customers could adversely impact the Bank' s reputation or could have a material adverse effect on our business, financial condition and results of operations. Additionally, because the Bank still has certain loans and investment securities indexed to LIBOR to calculate the interest rate, it could be subject to disputes or litigation with counterparties regarding the interpretation and enforceability of provisions in existing LIBOR- based fallback language or other related provisions, as the economies of SOFR and various alternative reference rates differ from LIBOR.~~ New lines of business or new products and services, including ~~FinTech~~ **Fintech** investments and ~~cryptocurrency~~ **digital assets** , may subject us to additional risks. We are focused on our long- term growth and have undertaken various new business initiatives, many of which involve activities that are new to it, or in some cases, are in the early stages of development. From time to time, we may develop, grow and / or acquire new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets for these products and services are not fully developed. For example, we are involved in new innovative strategies to provide independent banking to corporate clients throughout the United States by leveraging recent investments and depositor relationships in the Fintech industry. Our evolving business and product diversification, these new initiatives may subject us to, among other risks, increased business, reputational and operational risk, as well as more complex legal, regulatory and compliance costs and risks. Additionally, the Bank is engaged in relationships with clients in the payments, digital savings, ~~cryptocurrency~~ **digital assets** , **crowdfunding** ~~crowd funding~~ , lottery and gaming industries and any change in regulations could impact us from both an operational and regulatory perspective. Investing in these newer industries presents some risks. For example, earnings from our Fintech investments can be volatile and difficult to predict. Furthermore, we often invest in Fintech companies for strategic purposes. Where we are a minority shareholder, we may be unable to influence the activities of these organizations, which could have an adverse impact on our ability to execute our strategic initiatives and successfully develop and implement the banking platform we are developing with these and other partners. Similarly, ~~cryptocurrency~~ **digital asset** markets and related stocks have been, and are expected to continue to be, volatile and may be influenced by a wide variety of factors, including speculative activity. This volatility may materially impact us if our clients experience significant losses. This volatility may also materially impact our financial statements and thus affect our common stock market price. The SEC and Treasury have continued to focus on registration for certain digital assets and reporting of transactions to the IRS. Any change in regulations could impact us from both an operational and regulatory perspective. In addition to new lines of business, we have strategies to acquire and internally develop technologies in order to scale and diversify our banking capabilities. There may be significant costs to acquire and / or develop such technologies and there is no certainty as to the timing for these investments to become profitable, if at all. In developing and marketing new lines of business and / or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and / or new products or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. For example, as we expand our banking- as- a- service business and consider entering into other services, there may be heightened regulatory scrutiny of consumer compliance, including clear and transparent account origination and servicing user experiences and disclosures, such as modifications to consumer products or disclosures required by the CFPB. Furthermore, any new line of business and / or new product or service could have a significant impact on the effectiveness of our system of internal controls. All service offerings, including current offerings and those which may be provided in the future, may become **riskier** ~~more risky~~ due to changes in economic, competitive and market conditions beyond our control. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and financial condition. Potential acquisitions may disrupt our business and dilute stockholder value. We generally seek merger or acquisition partners that are culturally similar, have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale or expanded services. Acquiring other banks, businesses or branches involves various risks commonly associated with acquisitions, including, among other things: lPotential exposure to unknown or contingent liabilities of the target company; lExposure to potential asset quality issues of the target company; lPotential disruption to our business; lPotential diversion of management' s time and attention; lPossible loss of key employees and customers of the target company; lDifficulty in estimating the value of the target company; andlPotential changes in banking or tax laws or regulations that may affect the target company. Acquisitions typically involve the payment of a premium over book and market values, and therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence and / or other projected benefits from an acquisition could have a material adverse effect on our business, financial condition and results of operations ~~. Our acquisition of IFH could be more difficult, costly or time- consuming than expected and may fail to realize the anticipated benefits. In August 2022, MVB and IFH entered into the Merger Agreement. The Merger Agreement provided that, upon the terms and conditions therein, IFH would merge with and into MVB, with MVB continuing as the surviving corporation. Following the Merger, West Town Bank, a state bank chartered under the laws of Illinois and wholly- owned subsidiary of IFH, would merge with and into MVB Bank, Inc., a West Virginia state chartered bank and wholly- owned subsidiary of MVB, with MVB Bank as the surviving bank. In January 2023, the Merger Agreement was approved by the board of directors and shareholders of MVB and IFH. We are awaiting required regulatory approvals in order to execute the Merger. The success of the Merger will depend, in part, on the ability to realize the anticipated cost savings from combining the businesses of MVB and IFH, without adversely affecting current revenues and future growth. If MVB and IFH are not able to successfully achieve these objectives, the anticipated benefits of the Merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings of the Merger could be less than anticipated, and integration may result in additional and unforeseen expenses. An inability to realize the full extent of the anticipated benefits of the Merger and the other transactions contemplated by the merger agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, levels of expenses and operating results of the combined company following the completion of the Merger, which may adversely affect the value of the common stock of the combined company following the completion of the Merger. We may face difficulties integrating, retaining employees and operating as a combined company following our merger with IFH. MVB and IFH have operated and, until the completion of the Merger, must continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company' s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the companies' ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits and cost savings of the merger. These integration matters could have an adverse effect on each of MVB and IFH during this transition period and for an undetermined period after completion of the merger on the combined company. The success of the merger will depend in part on the combined company' s ability to retain the talents and dedication of key employees currently employed by MVB and IFH. If MVB and IFH are unable to retain key employees, including management, who are critical to the successful integration and future operations of the companies, MVB and IFH could face disruptions in their operations, loss of existing customers, loss of key information, expertise or know- how and unanticipated additional recruitment costs. In addition, the combined company' s business activities may be adversely affected, and management' s attention may be diverted by working to successfully locate, hire and retain suitable replacements, all of which may cause the combined company' s business to suffer. Additionally, following the Merger, the size of the business of the combined company will increase beyond the current size of either MVB' s or IFH' s business. Managing this expanded business may pose challenges, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. The combined company may also face increased scrutiny from governmental authorities as a result of the increased size of its business. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, revenue enhancement or other benefits currently anticipated from the merger~~ . We are subject to liquidity risk, which could disrupt the ability to meet our financial obligations. Liquidity refers to the ability of us to ensure sufficient levels of cash to fund operations, such as meeting deposit withdrawals, funding loan commitments, paying expenses and meeting periodic payment obligations under certain subordinated debentures issued by us in connection with the issuance of floating rate redeemable trust preferred securities. The source of the funds for our debt obligations is dependent on the Bank. Any significant restriction or disruption of our ability to obtain funding from these or other sources could have a negative effect on our ability to satisfy our current and future financial obligations, which could materially affect our financial condition. A deterioration in economic conditions or the loss of confidence in financial institutions may result in deposit base outflows and limit our access to some of our customary sources of liquidity, including, but not limited to, inter- bank borrowings and borrowings from the Federal Reserve and FHLB. In addition, account and deposit balances may decrease when clients perceive alternative investments, such as the stock market or real estate, as providing a better risk / return ~~tradeoff~~ --- **trade- off** . Furthermore, the portion of our deposit portfolio that is comprised of large uninsured deposits may be more likely to be withdrawn rapidly under adverse economic conditions. If our clients move money out of bank deposits into investments or to other financial institutions, we could lose a relatively low- cost source of funds. Limited availability of borrowings and liquidity from the FHLB system and other sources could negatively impact earnings. The Bank is currently a member bank of the FHLB of Pittsburgh. Membership in this system of quasi- governmental, regional home loan- oriented agency banks allows it to participate in various programs offered by the FHLB. The Bank borrows funds from the FHLB, which are secured by a blanket lien on certain residential and commercial mortgage loans, and if applicable, investment securities with collateral values in excess of the outstanding balances. Current and future earnings shortfalls and minimum capital requirements of the FHLB may impact the collateral necessary to secure borrowings and limit the borrowings extended to their member banks, as well as require additional capital contributions by member banks. Should this occur, the Bank' s short- term liquidity needs could be negatively impacted. If the Bank were restricted from using FHLB advances due to weakness in the system or with the FHLB of Pittsburgh, it may be forced to find alternative funding sources. If the Bank is required to rely more heavily on higher cost funding sources, revenues may not increase proportionately to cover these costs, which would adversely affect results of operations and financial position. Interruption to our information systems or breaches in security, including as a result of cyberattacks or other cyber incidents, could adversely affect our operations or otherwise harm our business. We rely on information systems and communications for operating and monitoring all major aspects of business, as well as internal management functions. Any failure, interruption, intrusion or breach in security of these systems could result in failures or disruptions in the customer relationship, management, general ledger, deposit, loan and other systems. There have been several cyberattacks on websites of large financial services companies. Even if not directed at us specifically, attacks on other entities with whom we do business, or on whom we otherwise rely, or attacks on financial or other institutions important to the overall functioning of the financial system could adversely affect, directly or indirectly, aspects of our business. Cyberattacks on third- party retailers or other business establishments that widely accept debit card or check payments could compromise sensitive Bank customer information, such as debit card and account numbers. Such an attack could result in significant costs to the Bank, such as costs to reimburse customers, reissue debit cards and open new customer accounts. In addition, there have been efforts on the part of third parties to breach data security at financial institutions, including through the use of social engineering schemes such as “ phishing. ” The ability of customers to bank remotely, including online and through mobile devices, requires secure transmission of confidential information and increases the risk of data security breaches. Because the techniques used to attack financial services company communications and information systems change frequently (and generally increase in sophistication), attacks are often not recognized until launched against a target and we may be unable to address these techniques in advance of attacks, including by implementing adequate preventative measures. We may also be unable to prevent attacks that are supported by foreign governments or other well- financed entities and that may originate from less regulated and remote areas of the world. The occurrence of any such failure, disruption or security breach of our information systems, particularly if widespread or resulting in financial losses to our customers, could damage our reputation and our relationships with our partners and customers, result in a loss of customer business, subject us to additional regulatory scrutiny and expose us to civil litigation and possible financial liability. These risks could have a material effect on our business, results of operations and financial condition. We continually encounter technological change and failure to continually adapt to such change could materially impact our financial condition and results of operations. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services. **These new products and services may include applications or financial- related services that implement artificial intelligence, machine learning, robotics, blockchain, or new approaches to data mining.** Our future success depends, in part, upon our ability to address the needs of customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in operations **. Our success also depends on our ability to invest in cybersecurity protection systems that will adequately protect our customers as technology continues to evolve** . Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations. Consumers may decide not to use banks to complete their financial transactions, or deposit funds electronically with banks having no branches within our market area, which could affect net income. Technology and other changes allow parties to complete financial transactions without banks. For example, consumers can pay bills and transfer funds directly without banks. Consumers can also shop for higher deposit interest rates at banks across the country, which may offer higher rates because they have few or no physical branches and open deposit accounts electronically. This process could result in the loss of fee income, as well as the loss of client deposits and the income generated from those deposits, in addition to increasing funding costs. Our operations rely on certain external vendors who may not perform in a satisfactory manner. We are reliant upon certain external vendors to provide products and services necessary to maintain our day- to- day operations. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with applicable contractual arrangements or service level agreements. We maintain a system of policies and procedures designed to monitor vendor risks including, among other things, (i) changes in the vendor' s organizational structure; (ii) changes in the vendor' s financial condition; and (iii) changes in the vendor' s support for existing products and services. The failure of an external vendor to perform in accordance with applicable contractual arrangements or the service level agreements could be disruptive to operations, which could have a material adverse impact on our business, financial condition and results of operations. We are subject to environmental liability risk associated with lending activities. A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property' s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase exposure to environmental liability. Environmental reviews of real property before initiating foreclosure actions may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, financial condition and results of operations. Financial services companies depend on the accuracy and completeness of information about customers and counterparties which, if inaccurate, could have a material adverse impact on our financial condition and results of operations. In deciding whether to extend credit or enter into other transactions, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on our business, financial condition and results of operations. We are at risk for an adverse impact on business due to damage to our reputation. Our ability to compete effectively, to attract and retain customers and employees, and to grow our business is dependent on maintaining our reputation and having the trust of our customers and employees. Many types of developments, if publicized, can negatively impact a company' s reputation with adverse consequences to our business. To an increasing extent, financial services companies, including us, may face criticism for engaging in business with specific customers or with customers in particular industries, where the customers' activities, even if legal, are perceived as having harmful impacts on matters such as environment, consumer health and safety or society at large. Criticism can come in many forms, including for providing banking services to companies engaged in, for example, the gaming industry or ~~cryptocurrency~~ **digital assets** . Many of these issues are divisive without broad agreement as to the appropriate steps a company should take and often with strong feelings on both sides. As a result, however we respond to such criticism, we expose ourselves to the risks that current or potential customers decline to do business with us or current or potential employees refuse to work for us. This can be true regardless of whether we are perceived by some as not having done enough to address concerns or by others as having inappropriately yielded to pressures. This pressure can also be a factor in decisions as to which business opportunities and customers we pursue, potentially resulting in foregone profit opportunities. We may also face criticism in response to changes in overall strategic direction, the addition of new lines of business, the exit of current lines of business or with openings or closures of certain banking centers. Changes in card network rules or standards could adversely affect our business. We provide merchant services through the third- party business model in which we process credit and debit card transactions on behalf of merchants. In order to provide such merchant services, we are members of the Visa and MasterCard card brand networks. As such, we are subject to card network rules that could subject us or our merchants to a variety of fines or penalties that may be assessed on us and our merchants. The termination of our membership or any changes in card network rules or standards could increase the cost of operating our merchant servicer business or limit our ability to provide merchant services to or through our customers and could have a material adverse effect on our business, financial condition and results of operations. Risks Related to the Legal and Regulatory Environment Changes in tax law may adversely affect our performance and create the risk that we may need to adjust our accounting for these changes. We are subject to extensive federal, state and local taxes, including income, excise, sales / use, payroll, franchise, withholding and ad valorem taxes. Changes to our taxes could have a material adverse effect on our performance. In addition, customers are subject to a wide variety of federal, state and local taxes. Changes in taxes paid by customers may adversely affect their ability to purchase homes or consumer products, which could adversely affect their demand for loans and deposit products. In addition, such negative effects on customers could result in defaults on the loans and decrease the value of mortgage- backed securities in which we have invested. We are subject to extensive government regulation and supervision and possible enforcement and other legal actions that could detrimentally affect our business. We, primarily through the Bank and certain non- bank subsidiaries, are subject to extensive federal and state regulation and supervision, which vests a significant amount of discretion in the various regulatory authorities. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not security holders. These regulations and supervisory guidance affect our 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. The Dodd- Frank Act instituted major changes to the banking and financial institutions regulatory regimes. Other changes to statutes, regulations or regulatory policies or supervisory guidance, including changes in interpretation or implementation of statutes, regulations, policies or supervisory guidance, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer **, cause us to exit certain lines of business** and / or increase the ability of non- banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, policies or supervisory guidance could result in enforcement and other legal actions by Federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, the revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties and / or reputational damage. In this regard, government authorities, including the bank regulatory agencies, are pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. For further detail, please refer to the sections captioned Supervision and Regulation included in Item 1 – Business and Note 16 – Regulatory Capital Requirements accompanying the consolidated financial statements included elsewhere in this report. Failure to meet any of the various capital adequacy guidelines which we are subject to could adversely affect our operations and could compromise our status as a financial holding company. We and the Bank are required to meet certain regulatory capital adequacy guidelines and other regulatory requirements imposed by the Federal Reserve Board, the FDIC and the United States Department of Treasury. If we or the Bank fail to meet these minimum capital guidelines and other regulatory requirements, our financial condition and results of operations would be materially and adversely affected and could compromise our status as a financial holding company. Please refer to the sections captioned Supervision and Regulation – Capital Requirements included in Item 1 – Business and Note 16 – Regulatory Capital Requirements accompanying the consolidated financial statements included elsewhere in this report, for detailed capital guidelines for bank holding companies and banks. We are a financial holding company and our sources of funds are limited. We are a financial holding company and our operations are primarily conducted by the Bank, which is subject to significant federal and state regulation. Cash available to pay dividends to shareholders of us is derived primarily from dividends paid by the Bank. As a result, our ability to receive dividends or loans from the Bank is restricted. Under federal law, the payment of dividends by the Bank is subject to capital adequacy requirements. The Federal Reserve Board and / or the FDIC prohibit a dividend payment by us or the Bank that would constitute an unsafe or unsound practice. Please refer to the sections captioned Supervision and Regulation – Limit on Dividends included in Item 1 – Business and Note 16 – Regulatory Capital Requirements accompanying the consolidated financial statements included elsewhere in this report. The inability of the Bank to generate profits and pay such dividends to us, or regulator restrictions on the payment of such dividends to us even if earned, would have an adverse effect on our financial condition and results of operations and our ability to pay dividends to our shareholders. In addition, since we are a legal entity separate and distinct from the Bank, our right to participate in the distribution of assets of the Bank upon the Bank' s liquidation, reorganization or otherwise will be subject to the prior claims of the Bank' s creditors, which will generally take priority over the Bank' s shareholders. Risks Related to Our Common Stock The trading volume in our common stock is less than that of other larger financial services companies. Shares of our common stock ~~began trading~~ **are traded** on the Nasdaq Capital Market ~~in December 2017~~ under the symbol " MVBF " ~~and were previously traded on the OTC Bulletin Board~~. There has been limited trading in our shares over the last 12 months. If limited trading in our common stock continues, it may be difficult for investors to sell such shares in the public market at any given time at prevailing prices. Also, the sale of a large block of our common stock could depress the market price of the common stock to a greater degree than a company that typically has a higher volume of trading of our securities. If we are unable to maintain compliance with Nasdaq listing requirements, our stock could be delisted, and the trading price, volume and marketability of the stock could be adversely affected. There can be no assurances that we will be able to maintain compliance with Nasdaq' s present listing standards, or that Nasdaq will not implement additional listing standards with which we will be unable to comply. Failure to maintain compliance with Nasdaq listing requirements could result in the delisting of our shares from trading on the Nasdaq system, which could have a material adverse effect on the trading price, volume and marketability of the common stock. Our stock price can be volatile. Stock price volatility may make it more difficult for shareholders to resell their common stock when they want and at prices they find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things: lactual or anticipated variations in quarterly results of operations; lrecommendations by securities analysts; loperating and stock price performance of other companies that investors deem comparable to us; lnews reports relating to trends, concerns and other issues in the financial services industry; lperceptions in the marketplace regarding us and / or our competitors; lnew technology used, or services offered, by competitors; lsignificant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; lfailure to integrate acquisitions or realize anticipated benefits from acquisitions; lchanges in government regulations; andlgeopolitical conditions such as acts or threats of terrorism or military conflicts. General market fluctuations, including real or anticipated changes in the strength of the economies we serve; industry factors and general economic and political conditions and events, such as economic slowdowns or recessions; interest rate changes, crude oil price volatility or credit loss trends could also cause our stock price to decrease, regardless of operating results. Our ability to pay dividends is not certain and we may be unable to pay future dividends. As a result, capital appreciation, if any, of our common stock may be shareholders' sole opportunity for gains on their investment for the foreseeable future. Our ability to pay dividends in the future is not certain. Any future determination relating to dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, financial condition, future prospects, regulatory restrictions and other factors that our Board of Directors may deem relevant. The holders of our common stock are entitled to receive dividends when, and if declared by our Board of Directors out of funds legally available for that purpose. As part of our consideration of whether to pay cash dividends, we intend to retain adequate funds from future earnings to support the development and growth of our business. In addition, our ability to pay dividends is restricted by federal policies and regulations and by the terms of our existing indebtedness. It is the policy of the Federal Reserve Board that bank holding companies should pay cash dividends on common stock only out of net income available over the past year and only if prospective earnings retention is consistent with the organization' s expected future needs and financial condition. For further information, please refer to the section captioned Supervision and Regulation – Limit on Dividends in Item 1 – Business included elsewhere in this report. General Risk Factors We are exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes- Oxley Act of 2002. We are required to comply with Section 404 of the Sarbanes- Oxley Act of 2002. At December 31, ~~2022~~ **2023** , we have no material weaknesses in our internal control over financial reporting; however, a material weakness could occur in the future. A " material weakness " is a control deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. If we fail to maintain a system of internal control over financial reporting that meets the requirements of Section 404, we may be subject to sanctions or investigation by regulatory authorities. Additionally, failure to comply with Section 404 or the report we provide of a material weakness may cause investors to lose confidence in our financial statements and our stock price may be adversely affected. If we fail to remedy any material weakness, our financial statements may be inaccurate, we may not have access to the capital markets, and our stock price may be adversely affected. The value of the securities in our investment securities portfolio may be negatively affected by disruptions in securities markets. Due to credit and liquidity risks and economic volatility, making the determination of the value of a securities portfolio is less certain. A decline in market value associated with these disruptions could result in other- than- temporary or permanent impairments of these assets, which would lead to accounting charges which could have a material negative effect on ~~the~~ our financial condition and results of operations. Our accounting policies and estimates are critical to how we report our financial condition and results of operations, and any changes to such accounting policies and estimates could materially affect how we report our financial condition and results of operations. Accounting policies and estimates are fundamental to how our records and reports our financial condition and results of operations. Our management makes judgments and assumptions in selecting and adopting various accounting policies and in applying estimates so that such policies and estimates comply with accounting principles generally accepted in the United States of America (" U. S. GAAP "). Management has identified certain accounting policies as being critical because they require management' s judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability or reducing a liability. Because of the uncertainty surrounding management' s judgments and the estimates pertaining to these matters, actual outcomes may be materially different from amounts previously estimated. For example, because of the inherent uncertainty of estimates, the Bank could need to significantly increase its allowance for ~~loan~~ **credit** losses if actual losses are more than the amount reserved. Any increase in its allowance for ~~loan~~ **credit** losses or loan charge- offs could have a material adverse effect on our financial condition and results of operations. In addition, we cannot guarantee that we will not be required to adjust accounting policies or restate prior financial statements. Please refer to the section captioned Allowance for ~~Loan~~ **Credit** Losses in Item 7 – Management' s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report for further discussion related to our process for determining the appropriate level of the allowance for ~~loan~~ **credit** losses. Further, from time to time, the FASB and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. Recent economic conditions have resulted in continuing scrutiny of accounting standards by legislators and regulators, particularly as they relate to fair value accounting principles. In addition, ongoing efforts to achieve convergence between U. S. GAAP and International Financial Reporting Standards may result in changes to U. S. GAAP. These changes can be hard to predict and can materially impact how we record and reports our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements or otherwise adversely affecting our financial condition or results of operations. Our accounting estimates and risk management processes rely on analytical and forecasting models which may prove to be inadequate or inaccurate which could result in unexpected losses, insufficient allowances for ~~loan~~ **credit** losses or unexpected fluctuations in the value of our financial instruments. The processes we use to estimate our inherent ~~loan~~ **credit** losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models used for interest rate risk and asset- liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models we use for determining our probable ~~loan~~ **credit** losses are inadequate, the allowance for ~~loan~~ **credit** losses may not be sufficient to support future charge- offs. If the models used to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations.