Risk Factors Comparison 2025-03-07 to 2024-03-28 Form: 10-K

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In addition to factors discussed in the description of our business and elsewhere in this Annual Report, the following are factors that could adversely affect our future results of operations and financial condition. Risks Related to our Lending ~~Activities~~ **ActivitiesOur** ~~Our~~ portfolios of commercial real estate **loans, multifamily loans, construction and land development** loans and commercial and industrial loans have increased in recent periods, and we intend to continue originating these types of loans. These loans involve credit risks that could adversely affect our financial condition and results of operations. At December 31, ~~2023~~ **2024** , **total commercial loans including** commercial real estate **loans** , multifamily loans ~~and~~ **,** construction and land development loans **and commercial and industrial loans** , totaled $ 2. ~~01~~ **84** billion, or ~~51~~ **65** . ~~5~~ **4** % **,** of our loan portfolio **compared to** ~~, and commercial and industrial loans, including those secured by owner- occupied real estate, totaled~~ $ ~~487~~ **2** . ~~8~~ **49** ~~million~~ **billion** , or ~~12~~ **64** . ~~5~~ **1** % ~~of our loan portfolio~~ **, at December 31, 2023** . These loans generally have more risk than the one- to four- family residential real estate loans we originate. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to **-** four- family residential mortgage loans. In addition, the repayment of these types of loans depends on the successful management and operation of the borrower' s businesses or properties. The repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Also, many of our commercial borrowers have more than one loan outstanding with us. At December 31, ~~2023~~ **2024** , our loans- to-one borrower limit was $ ~~125~~ **131** . ~~8~~ **2** million and our four largest borrower relationships, including available lines of credit, were $ ~~76~~ **83** . ~~2~~ **6 million, $ 80. 1** million, $ 70. 6 million ~~,~~ **and** $ 68. 5 ~~million and $ 67. 6~~ million, respectively. 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 one- to **-** four- family residential real estate loan. Commercial and industrial loans expose us to additional risk since they typically are dependent on the borrower' s ability to make repayments from the cash flows of the business and are sometimes secured by non- real estate collateral that may depreciate over time, such as inventory and accounts receivable, the value of which may be more difficult to appraise, control or collect and may be more susceptible to fluctuation in value at the time of default. In addition, if we foreclose on commercial real estate loans, our holding period for the collateral may be longer than for a single- family residential property if there are fewer potential purchasers of the collateral. Furthermore, if loans that are collateralized by commercial real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan. Any of these risks could cause us to increase our provision for credit losses and adversely affect our operating results and financial condition. The level of our commercial real estate loan portfolio subjects us to additional regulatory scrutiny. The Federal Reserve Board and the other federal bank regulatory agencies have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under the guidance, a financial institution that is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors, (i) total reported loans for construction, land acquisition and development, and other land represent 100 % or more of total capital, or (ii) total reported loans secured by multifamily and non- farm residential properties, loans for construction, land acquisition and development and other land, and loans otherwise sensitive to the general commercial real estate market, including loans to non- owner occupied commercial real estate related entities, represent 300 % or more of total capital. Based on these factors we could be deemed to have a concentration in commercial real estate lending, as such loans represent approximately ~~234~~ **249** . 9 % **and 234. 9 %** of ~~our~~ **the Bank' s** total capital as of December 31, **2024 and** 2023 **, respectively** . The guidance focuses on exposure to commercial real estate loans that is dependent on the cash flow from the real estate held as collateral and that is likely to be at greater risk to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The guidance assists banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should 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. ~~While~~ **39While** we believe we have implemented policies and procedures with respect to our commercial real estate loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us or that may result in a curtailment of our commercial real estate lending, including multifamily and construction and land development lending, and / or the requirement that we maintain higher levels of regulatory capital, either of which would adversely affect our loan originations and profitability. Our construction and land development loans involve credit risks that could adversely affect our financial condition and results of operations. At December 31, ~~2023~~ **2024** , construction loans and loans to finance the acquisition of developable land which we refer to as " land development loans " totaled $ ~~622~~ **583** . ~~7~~ **8** million, or ~~16~~ **13** . ~~0~~ **5** % **,** of our loan portfolio and ~~100~~ **88** . ~~4~~ **8** % of ~~our~~ the Bank' s total capital **compared to $ 622. 8 million, or 16. 0 %, of our loan portfolio and 100. 4 % of the Bank' s total capital at December 31, 2023** . Construction lending involves additional risks when compared with permanent finance lending because funds are advanced upon the security of the project, which is of uncertain value before its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to accurately evaluate the total funds required to complete a project and the related loan- to- value ratio. In addition, generally during the term of a construction loan, interest may be funded by the borrower or disbursed from an interest reserve set aside from the construction loan budget. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take- out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If the appraised value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss. In addition, speculative construction loans, which are loans made to home builders who, at the time of loan origination, have not yet secured an end buyer for the home under construction, typically carry higher risks than those associated with traditional construction loans. These increased risks arise because of the risk that there will be inadequate demand to ensure the sale of the property within an acceptable time. As a result, in addition to the risks associated with traditional construction loans, speculative construction loans carry the added risk that the builder will have to pay the property taxes and other carrying costs of the property until an end buyer is found. Land loans have substantially similar risks to speculative construction loans. As our construction and land loan portfolio increases, the corresponding risks and potential for losses from these loans may also increase. Lack of seasoning of certain portions of our commercial and industrial loan portfolio, especially with respect to cannabis, ~~wind and~~ solar **and bridge financing** customers, may increase the risk of credit defaults in the future. We have experienced significant loan growth in recent years in our larger commercial and industrial loans, which we refer to as Structured Finance loans. Most of these loans are to new customers in the cannabis ~~, wind~~ and solar industries **and bridge financing** . We believe we have grown these loan portfolios consistent with prudent underwriting standards but in general, loans do not begin to show signs of credit deterioration or default until they have been outstanding for some ~~37period~~ -- **period** of time, a process referred to as " seasoning. " As a result, a portfolio of older loans will usually behave more predictably than a newer portfolio. It will take several years to determine our borrowers' payment histories, with respect to many of these new lending relationships and, as a result, we may not be able to reliably evaluate the quality of the loan portfolio until that time. Our historical emphasis on residential mortgage loans exposes us to lending risks. At December 31, ~~2023~~ **2024** , $ 1. ~~10~~ **13** billion, or ~~28~~ **26** . ~~2~~ **1** % of our loan portfolio, was secured by one- to **-** four- family residential real estate **compared to $ 1. 10 billion or 28. 2 %, as of December 31, 2023,** and we intend to continue to provide this type of lending for the foreseeable future. One- to **-** four- family residential mortgage lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. Declines in real estate values could cause some of our residential mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral. ~~The~~ **40The** geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in the local economy. We primarily serve individuals and businesses located in the Greater Boston metropolitan area and surrounding communities, including eastern Connecticut, southern New Hampshire and Rhode Island. At December 31, ~~2023~~ **2024** , the vast majority of our total loans were primarily secured by real estate in this market area, defined as within a 100- mile radius of the company headquarters in Needham, Massachusetts. At December 31, ~~2023~~ **2024** , $ ~~46~~ **147** . ~~4~~ **0** million in loans were reported as out of territory, excluding Structured Finance loans, which have a broader geographical targeted footprint. Therefore, our success is largely dependent on the economic conditions, including employment levels, population growth, income levels, savings trends and government policies, in this market area. Although our loan portfolio has very limited exposure to commercial office space in downtown Boston, increased vacancies in this market resulting in depressed prices could have a ripple effect on the Greater Boston Metropolitan area. Moreover, the continued trend of hybrid and remote work would likely result in increased vacancy rates in commercial office space throughout the Greater Boston metropolitan area which could also negatively affect the demand for retail occupancy and sales in surrounding areas, any of which could adversely affect the value of the properties used as collateral for such loans. Similarly, weaker economic conditions caused by recessions, unemployment, inflation, a decline in real estate values or other factors beyond our control may adversely affect the ability of our borrowers to service their debt obligations and could result in higher loan ~~and lease~~ losses and lower net income for us. Although there is not a single employer or industry in our market area on which a significant number of our customers are dependent, a substantial portion of our loan portfolio is composed of loans secured by property located in the Greater Boston metropolitan area. This makes us vulnerable to a downturn in the local economy and real estate markets. Decreases in local real estate values caused by economic conditions or other events could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. A worsening of business and economic conditions generally or specifically in the principal markets in which we conduct business could have adverse effects on our business, including the following: ● a decrease in the demand for, or the availability of, loans and other products and services offered by us; ● a decrease in the value of our loans or other assets secured by residential or commercial real estate; ● a decrease in interest income from variable rate loans due to declines in interest rates; and ● an increase in the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us, which could result in a higher level of nonperforming assets, net charge- offs, provisions for credit losses, and valuation adjustments on loans held for sale. ~~38Moreover~~ -- **Moreover** , a significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment, public health crises or other factors beyond our control could further impact these local economic conditions and could further negatively affect the financial results of our banking operations. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance. In the event of severely adverse business and economic conditions generally or specifically in the principal markets in which we conduct business, there can be no assurance that the federal government and the Federal Reserve Board would intervene. If economic conditions worsen or volatility increases, our business, financial condition and results of operations could be materially adversely affected. For more information about our market area, please see the section titled " Business of Needham Bank – Market Area. " ~~If~~ **41If** our allowance for credit losses **on loans** is not sufficient to cover actual credit losses, our earnings could decrease. We maintain an allowance for credit losses **on loans** , which is established through a provision for credit losses that represents management' s best estimate of the current expected losses within the loan portfolio. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for credit losses **on loans** , we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions or the results of our analyses are incorrect, our allowance for credit losses **on loans** may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to our allowance **for credit losses on loans** . In addition, our emphasis on loan growth and on increasing our portfolios of commercial real estate loans, as well as any future credit deterioration or changes in economic conditions could require us to increase our allowance for credit losses **on loans** in the future. At December 31, ~~2023~~ **2024** , our allowance for credit losses **on loans** was 0. ~~83~~ **89** % of total loans and ~~298~~ **280** % of non- performing loans **compared to 0. 83 % and 298 % at December 31, 2023** . Material additions to our allowance **for credit losses on loans** would materially decrease our net income. We adopted the ~~Current Expected Credit Loss ("~~ CECL ~~")~~ standard on January 1, 2023. CECL requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for credit losses **on loans** . ~~This has~~ **The CECL standard** changed the current method of providing allowances for credit losses **on loans** that are incurred or probable, which has required us to increase our allowance for credit losses **on loans** , and to greatly increase the types of data we need to collect and review to determine the appropriate level of the allowance for credit losses **on loans** . Our day one CECL adjustment on January 1, 2023, was $ 2. 1 million, net of tax. In addition, bank regulators periodically review our allowance for credit losses **on loans** and, as a result of such reviews, we may be required to increase our provision for credit losses **on loans** or recognize further loan charge- offs. However, regulatory agencies are not directly involved in the process of establishing the allowance for credit losses **on loans** , as the process is our responsibility and any adjustment of the ~~allowance is the responsibility of our management. Any increase in our~~ allowance for credit losses **on loans is the responsibility of the Company' s management. Any increase in our allowance for credit losses on loans** or loan charge- offs as a result of such review or otherwise may have a material adverse effect on our financial condition and results of operations. We provide banking services to customers who do business in the cannabis industry and the strict enforcement of federal laws regarding cannabis would likely result in our inability to continue to provide banking services to these customers and we could have legal action taken against us by the federal government. We have deposit and loan customers that are licensed in various ~~States~~ **states** to do business in the cannabis industry as growers, processors, and dispensaries. While cannabis is legal in each of these ~~States~~ **states** , it remains classified as a Schedule I controlled substance under the Federal Controlled Substances Act, or CSA. As such, the cultivation, use, distribution, and possession of cannabis is a violation of federal law that is punishable by imprisonment and fines. Moreover, the U. S. Supreme Court ruled in USA v. Oakland Cannabis Buyers' Coop. that the federal government has the authority to regulate and criminalize cannabis, including medical marijuana. In January 2018, the U. S. Department of Justice (" DOJ ") rescinded the " Cole Memo " and related memoranda which characterized the enforcement of the CSA against persons and entities complying with state regulatory systems permitting the use, manufacture and sale of medical marijuana as an inefficient use of their prosecutorial resources and ~~39discretion~~ -- **discretion** . The impact of the DOJ' s rescission of the Cole Memo and related memoranda is unclear, but may result in the DOJ increasing its enforcement actions against the regulated cannabis industry generally. As in past years, the U. S. Congress has enacted an omnibus spending bill that includes a provision prohibiting the DOJ and the U. S. Drug Enforcement Administration from using funds appropriated by that bill to prevent states from implementing their medical- use cannabis laws. This provision was recently renewed as part of the Consolidated Appropriations Act of 2022. ~~While~~ **42While** this provision has been re- enacted every year since 2014, and is expected to continue to be re- enacted in future federal spending bills, if Congress and the President **of the United States** fail to further renew the provision, then the ability of medical cannabis businesses to act in this area, and our ability to provide banking products and services to such businesses, may be impeded. Further, the U. S. Court of Appeals for the Ninth Circuit held in USA v. McIntosh that this provision prohibits the DOJ from spending funds from relevant appropriations acts to prosecute individuals who engage in conduct permitted by state medical- use cannabis laws and who strictly comply with such laws. There is no guarantee that the U. S. Congress will extend this provision or that U. S. Federal courts located outside the Ninth Circuit will follow the ruling in USA v. McIntosh. As of the date of filing this Annual Report on Form 10- K, we are aware of no federal or state court in or for Massachusetts that has addressed the merits of the McIntosh ruling. Federal prosecutors have significant discretion and there can be no assurance that a federal prosecutor in any of the federal districts in which we operate will not choose to strictly enforce the federal laws governing cannabis, including medical- use cannabis, or that any of these federal courts will follow the Ninth Circuit' s ruling in USA v. McIntosh. Any change in the federal government' s enforcement position, could cause us to immediately cease providing banking services to the medical- use cannabis industry in the ~~States~~ **states** where we operate. Additionally, as the possession and use of cannabis remains illegal under the CSA, we may be deemed to be aiding and abetting illegal activities through the services that we provide to these customers and could have legal action taken against us by the Federal government, including imprisonment and fines. Any change in position or potential action taken against us could result in significant financial damage to us and our stockholders. The Financial Crimes Enforcement Network (" FinCEN ") published guidelines in 2014 for financial institutions servicing state legal cannabis business. These guidelines were issued for the explicit purpose so " that financial institutions can provide services to marijuana- related businesses in a manner consistent with their obligations to know their customers and to report possible criminal activity. " ~~Needham~~ **The** Bank has and will continue to follow this and other FinCEN guidance in the areas of cannabis banking. Any adverse change in this FinCEN guidance, any new regulations or legislation, any change in existing regulations or oversight, whether a change in regulatory policy or a change in a regulator' s interpretation of a law or regulation, could have a negative impact on our interest income and noninterest income, as well as the cost of our operations, increasing our cost of regulatory compliance and of doing business, and / or otherwise affect us, which may materially affect our profitability. Environmental liability associated with our lending activities could result in losses. In the course of business, we may acquire, through foreclosure, properties securing loans originated or purchased that are in default. Particularly in commercial real estate lending, there is a risk that material environmental violations could be discovered on these properties. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have an adverse effect on our financial condition and results of operations. The foreclosure process may adversely impact our recoveries on non- performing loans. The judicial foreclosure process is protracted, which delays our ability to resolve non-performing loans through the sale of the underlying collateral. The longer timelines have been the result of additional consumer protection initiatives related to the foreclosure process, increased documentary requirements and judicial scrutiny, and, both voluntary and mandatory programs under which lenders may consider loan modifications or other alternatives to foreclosure. These reasons and the legal and regulatory responses have impacted the foreclosure process and completion ~~40time~~ -- **time** of foreclosures for residential mortgage lenders. This may result in a material adverse effect on collateral values and our ability to minimize its losses. ~~Risks~~ **43Risks** Related to Market Interest RatesThe reversal of the **high** ~~historically low~~ interest rate environment may adversely affect our net interest income and profitability. Net interest income historically has been, and we anticipate that it will remain, a significant component of our total revenue. A high percentage of our assets and liabilities involve interest- bearing or interest- related instruments. Thus, changes in interest rates have impacted and may continue to impact many areas of our business, including net interest income, both the earnings and volume of interest- earning assets and interest-bearing liabilities, as well as loan delinquency. Interest rates are highly sensitive to many factors that are beyond our control, including global, national, regional and local economic conditions, the effects of disease pandemics such as COVID- 19, competitive pressures, and policies of various governmental and regulatory agencies and, in particular, the **Federal Open Market Committee (“** FOMC **”)** . Changes in interest rates have influenced and will continue to influence the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, our ability to originate loans and obtain deposits, and the fair value of our financial assets and liabilities. If the interest rates on our interest- ~~bearing~~ - **earning** ~~liabilities~~ **assets** ~~increase~~ **decrease** at a faster pace than the interest rates on our interest **-** ~~earning~~ - **bearing** ~~assets~~ **liabilities** , our net interest income may decline and, with it, a decline in our earnings may occur. Our net interest income and our earnings would be similarly affected if the interest rates on our interest **-** ~~earning~~ - **bearing** ~~assets declined~~ **liabilities increased** at a faster pace than the interest rates on our interest- ~~bearing~~ - **earning** ~~liabilities~~ **assets** . The FOMC ~~raised~~ **cut** the target range for the federal funds ~~throughout~~ **during** ~~2022~~ **2024** ~~and 2023, and~~ **by one percentage point.** ~~additional~~ **Additional** rate ~~increases~~ **cuts** may occur if ~~inflation~~ **inflationary** pressures ~~remain elevated or intensify~~ **continue towards the FOMC’ s 2 % target and employment weakens** . ~~Increases~~ **Decreases** to the target range for the federal funds rate, combined with ongoing geopolitical instability, could ~~raise~~ **signal** the risk of an economic recession ~~and responsive measures, including a reduction of the federal funds rate~~ . Any such downturn may adversely affect our asset quality, deposit levels, loan demand and results of operations. ~~Higher~~ **Lower** interest rates generally are associated with a ~~lower~~ **higher** volume of loan originations and ~~refinancings~~ - **refinancing transactions** , while ~~lower~~ **higher** interest rates are usually associated with ~~higher~~ **lower** loan originations and ~~refinancings~~ - **refinancing transactions** . Our ability to generate gains on sales of mortgage loans is significantly dependent on the level of originations. Cash flows are affected by changes in market interest rates. Generally, in ~~rising~~ **falling** interest rate environments, loan prepayment rates are likely to ~~decline~~ **increase** , and in ~~falling~~ **rising** interest rate environments, loan prepayment rates are likely to ~~increase~~ **decline** . A significant amount of our commercial and industrial and commercial real estate, including multi- family residential real estate loans, are adjustable- rate loans and ~~an~~ **a** ~~increase~~ **decrease** in the general level of interest rates may adversely affect **our interest income levels** ~~the ability of borrowers, especially those with adjustable rate loans, to pay their loan obligations~~ . Changes in interest rates, prepayment speeds and other factors may also cause the value of our loans held for sale to change. Although we have implemented risk management strategies, as well as policies and procedures designed to manage the risks associated with changes in market interest rates, changes in interest rates have had and may continue to have an adverse effect on our operating results and financial condition. If our ongoing assumptions regarding borrower or depositor behavior or overall economic conditions are significantly different than we anticipate, then our risk mitigation may be insufficient to protect against interest rate risk and our operating results and financial condition would be adversely affected. Changes in interest rates could reduce our profits and asset values. We derive our income mainly from the difference or “ spread ” between the interest earned on loans, securities and other interest- earning assets and interest paid on deposits, borrowings and other interest- bearing liabilities. In general, the larger the spread, the more we earn. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities will fluctuate. This can cause decreases in our spread and can adversely affect our income. For the past several years, we have been asset sensitive, which indicates that assets generally reprice ~~41faster~~ -- **faster** than liabilities. In a ~~rising~~ **falling** rate environment, asset sensitivity is **not** preferable as it results in ~~improvement~~ **deterioration** to our net interest margin. ~~Interest~~ **44Interest** rates also affect how much money we lend. For example, when interest rates ~~rise~~ **fall** , the cost of borrowing ~~increases~~ **decreases** for customers and the Bank’ s loan originations tend to ~~decrease~~ **increase** . A ~~rising~~ **falling** rate environment can also negatively impact the Bank if the **lower rates earned** ~~higher debt service costs~~ on adjustable- rate loans lead to **lower levels of interest income** ~~borrowers’ inability to pay contractual obligations~~ . In addition, changes in interest rates can affect the average life of loans and securities. For example, a reduction in interest rates generally results in increased prepayments of loans and mortgage-backed securities, as borrowers refinance their debt to reduce their borrowing cost. This causes reinvestment risk, because we generally are not able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities in a declining rate environment. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect the value of our assets, including the value of our **AFS** ~~available- for- sale investment~~ securities, which generally decrease when market interest rates rise, and ultimately affect our earnings. During the year ended December 31, ~~2023~~ **2024**, we incurred other comprehensive income of $ 3. ~~3~~ **7** million, primarily related to net changes in unrealized holding gains ~~(losses)~~ in the **AFS** ~~available- for- sale investment~~ securities portfolio. Changes in the level of interest rates also may negatively affect our ability to originate real estate loans, the value of our assets, and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Management of Market Risk. " Hedging against interest rate exposure may adversely affect our earnings. On occasion we have employed various financial risk methodologies that limit, or " hedge, " the adverse effects of rising or decreasing interest rates on our loan portfolios and short- term liabilities. We also engage in hedging strategies with respect to arrangements where our customers swap floating interest rate obligations for fixed interest rate obligations, or vice versa. Our hedging activity varies based on the level and volatility of interest rates and other changing market conditions. There are no perfect hedging strategies, and interest rate hedging may fail to protect us from loss. Moreover, hedging activities could result in losses if the event against which we hedge does not occur. Additionally, interest rate hedging could fail to protect us or adversely affect us because, among other things: ● available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought; ● the duration of the hedge may not match the duration of the related liability; ● the party owing money in the hedging transaction may default on its obligation to pay; ● the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; ● the value of derivatives used for hedging may be adjusted from time to time in accordance with ~~accounting rules~~ **U. S. GAAP** to reflect changes in fair value; and / or ● downward adjustments, or " mark- to- market " losses, would reduce our stockholders' equity. ~~42Risks~~ **45Risks** Related to Economic **ConditionsA** ~~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 inflation decreases the value of money. Recently, there has been a rise in inflation and the Federal Reserve Board has raised certain benchmark interest rates in an effort to combat inflation. As discussed above under " – Risks Related to Market Interest Rates – Changes in interest rates could reduce our profits and asset values, " as inflation increases and market interest rates rise, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our noninterest 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. A~~ worsening of economic conditions in our market area could reduce demand for our products and services and / or result in increases in our level of non- performing loans, which could adversely affect our operations, financial condition and earnings. Local and regional economic conditions have a significant impact on the ability of our borrowers to repay loans and the value of the collateral securing loans. A deterioration in economic conditions, especially local conditions, could have the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations, and could more negatively affect us compared to a financial institution that operates with more geographic diversity: ● demand for our products and services may decline; ● loan delinquencies, problem assets and foreclosures may increase; ● collateral for loans, especially real estate, may decline in value, thereby reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans, causing an increase in our allowance for credit losses; and ● the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us. Moreover, a significant decline in general economic conditions caused by inflation, recession, acts of terrorism, civil unrest, an outbreak of hostilities or other international or domestic calamities, an epidemic or pandemic, unemployment or other factors beyond our control could further impact these local economic conditions and could further negatively affect the financial results of our banking operations. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance. Further, a U. S. government debt default would have a material adverse impact on our business and financial performance, including a decrease in the value of U. S. Treasury securities and other government securities held by us, which could negatively impact our capital position and our ability to meet regulatory requirements. Other negative impacts could be volatile capital markets, an adverse impact on the U. S. economy and the U. S. dollar, as well as increased default rates among borrowers in light of increased economic uncertainty. Some of these impacts might occur even in the absence of an actual default but as a consequence of extended political negotiations around the threat of such a default and a government shutdown. ~~43We~~ **We** have a high concentration of loans secured by real estate in our market area. Adverse economic conditions, both generally and in our market area, could adversely affect our financial condition and results of operations. The majority of our loans are inside of our primary market area and, as a result, we have a greater risk of loan defaults and losses in the event of a further economic downturn in our market area, as adverse economic conditions may have a negative effect on the ability of our borrowers to make timely payments of their loans. A return of recessionary conditions and / or negative developments in the domestic and international credit markets may significantly affect the markets in which we do business, the value of our loans, investments, and collateral securing our loans, and our ongoing operations, costs and profitability. Any of these negative events may result in higher- than- expected loan delinquencies, increase our levels of nonperforming and classified assets, and reduce demand for our products and services, which may cause us to incur losses and may adversely affect our capital, liquidity and financial condition.

~~Adverse~~ **46Adverse** developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non- performance by financial institutions or transactional counterparties, could adversely affect our financial condition and results of operations. Actual events involving limited liquidity, defaults, non- performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market- wide liquidity problems. For example, on May 1, 2023, First Republic Bank went into receivership and its deposits and substantially all of its assets were acquired by JPMorgan Chase Bank, National Association. Similarly, on March 10, 2023, Silicon Valley Bank went into receivership, and on March 12, 2023, Signature Bank went into receivership. Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. Although the Treasury, FDIC and Federal Reserve Board have announced a program to provide up to $ 25 billion of loans to financial institutions secured by certain of such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments, widespread demands for customer withdrawals or other liquidity needs of financial institutions for immediately liquidity may exceed the capacity of such program. Additionally, there is no guarantee that the Treasury, FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions, or that they would do so in a timely fashion. Our **AFS** securities portfolio performance in difficult market conditions could have adverse effects on our results of operations. Unrealized losses on ~~investment~~ **AFS** securities result from changes in credit spreads and liquidity issues in the marketplace, along with changes in the credit profile of individual securities issuers. Under **U. S.** GAAP, we are required to review our ~~investment~~ **AFS securities** portfolio periodically for the presence of credit losses of our **AFS** securities, taking into consideration current and future market conditions, the extent and nature of changes in fair value, issuer rating changes and trends, volatility of earnings, current analysts' evaluations, our ability and intent to hold investments until a recovery of fair value, as well as other factors. Adverse developments with respect to one or more of the foregoing factors may require us to deem particular **AFS** securities to be impaired, with the credit- related portion of the reduction in the value recognized as a charge to our earnings through an allowance. Subsequent valuations, in light of factors prevailing at that time, may result in significant changes in the values of these **AFS** securities in future periods. Any of these factors could require us to recognize further impairments in the value of our **AFS** securities portfolio, which may have an adverse effect on our results of operations in future periods. The fair value of our ~~investment~~ **AFS** securities can fluctuate due to factors outside of our control. Factors beyond our control can significantly influence the fair value of **AFS** securities in our portfolio and can cause potential adverse changes to the fair value of these **AFS** securities. These factors include, but are not limited to, rating agency actions with respect to individual **AFS** securities, defaults by the issuer or with respect to the underlying **AFS** securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, ~~44could~~ -- **could** cause credit losses and realized and / or unrealized losses in future periods and declines in other comprehensive income, which could materially and adversely affect our business, results of operations, financial condition and prospects. The process for determining whether impairment of ~~a~~ **an AFS** security is related to credit usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the **AFS** security in order to assess the probability of receiving all contractual principal and interest payments on the **AFS** security. Significant negative changes to valuations could result in credit losses on our **AFS** securities portfolio, which could have an adverse effect on our financial condition or results of operations. As of December 31, ~~2023~~ **2024** , we had approximately $ ~~11~~ **8** . ~~9~~ **2** million of accumulated other comprehensive losses. During the year ended December 31, ~~2023~~ **2024** , we had $ ~~2~~ **3** . ~~5~~ **7** million of after- tax other comprehensive income, which resulted primarily from $ ~~3~~ **4** . ~~7~~ **9** million in unrealized valuation gains on **AFS** ~~available- for- sale investment~~ securities. ~~Potential~~ **47Potential** downgrades of U. S. government securities by one or more of the credit ratings agencies could have a material adverse effect on our operations, earnings and financial condition. A possible future downgrade of the sovereign credit ratings of the U. S. government and a decline in the perceived creditworthiness of U. S. government- related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affect the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. Among other things, a downgrade in the U. S. government' s credit rating could adversely impact the value of our **AFS** securities portfolio and may trigger requirements that we post additional collateral for trades relative to these **AFS** securities. A downgrade of the sovereign credit ratings of the U. S. government or the credit ratings of related institutions, agencies or instruments would significantly exacerbate the other risks to which we are subject and any related adverse effects on the business, financial condition and results of operations. The soundness of other financial institutions could adversely affect us. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to many different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, other commercial banks, investment banks, mutual and hedge funds, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market- wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. There is no assurance that any such losses would not materially and adversely affect our results of operations. Risks Related to Our FundingOur inability to generate core deposits may cause us to rely more heavily on wholesale funding strategies for funding and liquidity needs, which could have an adverse effect on our net interest margin and profitability. We must maintain sufficient funds to respond to the needs of depositors and borrowers. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We also receive funds from loan repayments, investment **payments and** maturities and income on other interest- earning assets. While we emphasize generating transaction accounts, we cannot guarantee if and when this will occur. Further, the considerable competition for deposits in our market area also has made, and may continue to make, it difficult for us to obtain reasonably priced deposits. Moreover, deposit balances can decrease if customers perceive alternative investments as providing a better risk / return tradeoff. If we are not able to increase our lower- cost transactional deposits at a level necessary to fund our asset growth or deposit outflows, we may be forced **to** seek other sources of funds, including other certificates of deposit, FHLB advances **, FRB borrowings** , brokered deposits and lines of credit to meet the borrowing and deposit withdrawal requirements of our customers, which may be more expensive and have an adverse effect on our net interest margin and profitability. In ~~45addition~~ -- **addition** , if our capital levels fell such that we were no longer considered " well capitalized, " under federal law we would be subject to restrictions on accepting brokered deposits and on paying above- market rates for deposits. Additionally, if, based on a decrease in our tangible equity, the FHLB were to determine that we have inadequate capital levels, in its discretion, it may limit our ability to utilize FHLB advances. Additionally, ~~through~~ our ~~April 2022 purchase of~~ cannabis- related ~~and money service businesses~~ -- **business includes** ~~from another financial institution, we acquired~~ approximately $ ~~297~~ **331** . ~~7~~ **6** million of ~~deposits. Of this total, approximately $ 316. 0 million are~~ cannabis- ~~related~~ **direct** deposits, directly involved in growing, transporting, packaging, distributing, or selling cannabis (that " touch " cannabis along the distribution chain), as of December 31, ~~2023~~ **2024** . Due to the unique industry- specific risks of this business, if we were forced to terminate this business line, we could lose many or most of these deposits, all of which are core deposits. ~~Our~~ **48Our** funding sources may prove insufficient to replace deposits at maturity and support our future growth. We must maintain sufficient funds to respond to the needs of depositors and borrowers. As a part of our liquidity management, we use a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. As we continue to grow, we are likely to become more dependent on these sources, which may include FHLB advances, proceeds from the sale of loans, federal funds purchased and brokered certificates of deposit. Adverse operating results or changes in industry conditions could lead to difficulty or an inability to access these additional funding sources. Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. If we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our operating margins and profitability would be adversely affected. Risks Related to Laws and RegulationsChanges in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and / or increase our costs of operations. ~~Needham~~ **The** Bank is subject to extensive regulation, supervision and examination by the Commissioner and the Federal Reserve Board, and, also by the FDIC as insurer of ~~Needham~~ **the** Bank' s deposit accounts and NB Bancorp **, Inc.** is subject to extensive regulation, supervision and examination by the Federal Reserve Board. Such regulation and supervision govern the activities in which an institution and its holding company may engage and are intended primarily for the protection of the federal deposit insurance fund and the depositors of ~~Needham~~ **the** Bank, rather than for our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the adequacy of the level of our allowance for credit losses. These regulations, along with existing tax, accounting, securities, insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Our cannabis- related ~~business~~ , money service ~~business~~ and ATM business present compliance risks that are different in kind or degree compared to those that we are accustomed to managing and have required us to implement new or enhance existing procedures, systems and controls. Our April 2022 acquisition resulted in our operation of three different business lines that ~~are~~ **were** new to us and have necessitated robust compliance policies and procedures in order to comply with various laws and regulations. We provide depository services to cannabis businesses, including cannabis retailers and cannabis cultivators. We also provide loans to various cannabis- related businesses. We also provide depository services to money service businesses and ATM businesses. ~~46These~~ -- **These** acquired portfolios are mature portfolios which have been previously reviewed and managed by the management team and employees now employed by ~~Needham~~ **the** Bank who were previously employed by the selling institution. However, these business lines are relatively new to ~~Needham~~ **the** Bank and have required and we expect will continue to require, proportionately greater compliance and risk management resources than our other business lines in order for us to comply with laws and regulations related to the prevention of financial crimes and combating terrorism, including the U. S. Patriot Act of 2001. These laws and regulations require us to, among other things, implement specific policies and procedures related to those business lines, including enhanced licensing procedures and policies, and anti- money laundering, anti- bribery and corruption, fraud, compliance, suspicious activities, currency transaction reporting, and due diligence on new and existing customers. ~~With~~ **49With** respect to cannabis- related businesses, the Controlled Substances Act makes it illegal under federal law to manufacture, distribute, or dispense cannabis, and therefore federal law, including the money laundering statutes and the **BSA** ~~Bank Secrecy Act~~ , apply to cannabis- related conduct. Financial transactions involving proceeds generated by cannabis- related conduct can form the basis for prosecution under the money laundering statutes. Financial institutions must report currency transactions and conduct suspicious activity monitoring and reporting in connection with cannabis- related businesses to FinCEN. Our ability to comply with anti- money laundering laws and **state regulations and** our reporting obligations to FinCEN depend on our ability to maintain robust customer due diligence, surveillance, detection, reporting and analytic capabilities. Although we believe that we have policies, systems and procedures designed to comply with these laws and regulations, to the extent our policies or procedures are not fully effective or do not meet heightened regulatory standards or expectations, we may be subject to fines, penalties, restrictions on certain activities including future acquisitions, reputational harm, or other adverse consequences from our federal bank regulators, the **DOJ** ~~Department of Justice~~ or FinCEN. Non- compliance with the USA PATRIOT Act, **BSA** ~~Bank Secrecy Act~~ , or other laws and regulations could result in fines or sanctions. The USA PATRIOT and **BSA** ~~Bank Secrecy Acts~~ require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are suspected, financial institutions are obligated to file suspicious activity reports with FinCEN. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on pursuing acquisitions or establishing new branches. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations. Furthermore, these rules and regulations continue to evolve and expand. Monetary policies and regulations of the Federal Reserve Board could adversely affect our business, financial condition and results of operations. In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve Board to implement these objectives are open market purchases and sales of U. S. government securities, adjustments of the discount rate and changes in banks' reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits. The monetary policies and regulations of the Federal Reserve Board have had a significant effect on the operating results of financial institutions in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted. ~~47We~~ **We** are subject to stringent capital requirements, which may adversely impact our return on **stockholders'** equity, require us to raise additional capital, or limit our ability to pay dividends or repurchase shares. Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk- based capital and leverage ratios, and define " capital " for calculating these ratios. The minimum capital requirements are: (1) a common equity Tier 1 capital ratio of 4. 5 %; (2) a Tier 1 to risk- based assets capital ratio of 6 %; (3) a total capital ratio of 8 **. 0** %; and (4) a Tier 1 leverage ratio of 4 **. 0** %. The regulations also establish a " capital conservation buffer " of 2. 5 %, which results in the following minimum ratios: (1) a common equity Tier 1 capital ratio of 7. 0 %; (2) a Tier 1 to risk- based assets capital ratio of 8. 5 %; and (3) a total capital ratio of 10. 5 %. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the capital conservation buffer amount. ~~The~~ **50The** application of these capital requirements could, among other things, result in lower returns on equity, and result in regulatory actions if we are unable to comply with such requirements. Needham Bank' s ability to pay dividends to NB Bancorp would be limited if it does not maintain the capital conservation buffer required by the capital rules, which may limit NB Bancorp' s ability to pay dividends to its stockholders. See " Supervision and Regulation – Banking Regulation – Capital Requirements. " We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors. ~~NB Bancorp~~ **The Company** is an emerging growth company ~~, and we expect we will cease to be an emerging growth company at the end of the fiscal year following the fifth anniversary of the completion of the offering (i. e., December 31, 2028)~~ . For as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non- binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We have also elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our **consolidated** financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards. Investors may find our common stock less attractive since we have chosen to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile. If our deposits grow too large, we may lose the benefits of excess deposit insurance provided by the **DIF** ~~Depositors Insurance Fund~~ . The deposits of ~~Needham~~ **the** Bank are insured in full beyond federal deposit insurance coverage limits by the ~~Depositors Insurance Fund ("~~ DIF **,** ~~")~~ a private excess deposit insurer created under Massachusetts law. We believe offering full deposit insurance gives us a competitive advantage for individual, corporate and municipal depositors having deposit balances in excess of FDIC insurance limits. However, the DIF may require member institutions that pose greater than normal loss exposure risk to the DIF to take certain risk- mitigating measures or withdraw from the DIF and become a Massachusetts trust company by operation of law, subject to the Commissioner' s approval. In such an event, an institution may be required to reduce its level of excess deposits, pay for the reinsurance of excess deposits, make an additional capital contribution to the DIF, provide collateral or take other risk- mitigating measures that the DIF may require, which may include entering into reciprocal deposit programs with other financial institutions or reciprocal deposit services. Reducing excess deposits by taking any of the above risk- mitigating measures, which allows deposits to run off, reduces our overall level of deposits and increases the extent to which we may need to rely in the future on other, more expensive or less stable sources for funding, including FHLB advances, which would reduce net income. Shifting excess deposits into reciprocal deposit programs may result in higher funding costs, which also would reduce net income. ~~48The~~ -- **The** Federal Reserve Board may require us to commit capital resources to support our bank subsidiary. Federal law requires that a holding company act as a source of financial and managerial strength to its subsidiary bank and to commit resources to support such subsidiary bank.

Under the " source of strength " doctrine, the Federal Reserve Board may require a holding company to make capital injections into a troubled subsidiary bank and may charge the holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds or raise capital. Thus, any borrowing or funds needed to raise capital required to make a capital injection becomes more difficult and expensive and could have an adverse effect on our business, financial condition and results of operations. ~~We~~ **51We** may become subject to enforcement actions even though noncompliance was inadvertent or unintentional. The financial services industry is subject to intense scrutiny from bank supervisors in the examination process and aggressive enforcement of federal and state regulations, particularly with respect to mortgage- related practices and other consumer compliance matters, and compliance with anti- money laundering, **BSA** ~~Bank Secrecy Act~~ and **OFAC** ~~Office of Foreign Assets Control~~ regulations, and economic sanctions against certain foreign countries and nationals. Enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations; however, some legal / regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. Failure to comply with these and other regulations, and supervisory expectations related thereto, may result in fines, penalties, lawsuits, regulatory sanctions, reputation damage, or restrictions on our business. We face significant legal risks, both from regulatory investigations and proceedings and from private actions brought against us. As a participant in the financial services industry, many aspects of our business involve substantial risk of legal liability. From time to time, customers and others make claims and take legal action pertaining to the performance of our responsibilities. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant expenses, attention from management and financial liability. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. There is no assurance that litigation with private parties will not increase in the future. Actions currently pending against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us. Risks Related to our Business StrategyOur business strategy includes growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively. Growing our operations could also cause our expenses to increase faster than our revenues. Our business strategy includes growth in assets, deposits and the scale of our operations. Achieving such growth will require us to attract customers that currently bank at other financial institutions in our market area. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities and the level of competition from other financial institutions. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected. Furthermore, there can be considerable costs involved in expanding lending capacity, and generally a period of time is required to generate the necessary revenues to offset these costs, especially in areas in which we do not have an established presence. Accordingly, any such business expansion can be expected to negatively impact our earnings until certain economies of scale are reached. ~~49Our~~ -- **Our** continued pace of growth may require us to raise additional capital in the future, but that capital may not be available when it is needed. We are required by banking regulatory authorities to maintain adequate levels of capital to support our operations. We may at some point need to raise additional capital to support our continued growth. If we raise capital through the issuance of additional shares of our common stock or other securities, it would dilute the ownership interests of stockholders and may dilute the per share book value of our common stock. New investors may also have rights, preferences and privileges senior to our current stockholders, which may adversely impact our current stockholders. ~~Also~~ **52Also** , the need to raise additional capital may force our management to spend more time in managerial and financing- related activities than in operational activities. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside of our control, and ~~on~~ our financial performance. Accordingly, we may not be able to raise additional capital, if needed, with favorable terms. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired. We depend on our management team to implement our business strategy and execute successful operations and we could be harmed by the loss of their services. We depend on the services of the members of our senior management team who direct our strategy and operations. Our executive officers and lending personnel possess substantial expertise, extensive knowledge of our markets and key business relationships. Any one of them could be difficult to replace. Additionally, in recent years, we have grown our Structured Finance loan portfolio significantly, including through lending relationships to cannabis ~~, wind~~ and solar companies **and bridge financing** . These industries can entail unique regulatory and operational risks and we believe we have experienced team members who are able to understand and assess these risks when originating and managing these relationships. Our loss of these persons, or our inability to hire additional qualified personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete in our markets. Development of new products and services may impose additional costs on us and may expose us to increased operational risk. The introduction of new products and services can entail significant time and resources, including regulatory approvals. Substantial risks and uncertainties are associated with the introduction of new products and services, including technical and control requirements that may need to be developed and implemented, rapid technological change in the industry, our ability to access technical and other information from its clients, the significant and ongoing investments required to bring new products and services to market in a timely manner at competitive prices and the preparation of marketing, sales and other materials that fully and accurately describe the product or service and its underlying risks. Our failure to manage these risks and uncertainties also exposes it to enhanced risk of operational lapses which may result in the recognition of financial statement liabilities. Regulatory and internal control requirements, capital requirements, competitive alternatives, vendor relationships and shifting market preferences may also determine if such initiatives can be brought to market in a manner that is timely and attractive to our clients. Products and services relying on internet and mobile technologies may expose us to fraud and cybersecurity risks. Failure to successfully manage these risks in the development and implementation of new products or services could have a material adverse effect on our business and reputation, as well as on its consolidated results of operations and financial condition. Risks Related to Competitive MattersStrong competition within our market area may limit our growth and profitability. Competition in the banking and financial services industry is intense. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, financial technology or " fintech companies, " and unregulated or less regulated non- banking entities. Many of these competitors are substantially larger than we are and have substantially greater ~~50resources~~ -- **resources** and higher lending limits than we have and offer certain services that we do not or cannot provide. In addition, some of our competitors offer loans with lower interest rates and / or more attractive terms than loans we offer. Competition also makes it increasingly difficult and costly to attract and retain qualified employees. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon our continued ability to successfully compete for business and qualified employees in our market areas. The greater resources and deposit and loan products offered by some of our competitors may limit our ability to increase our interest- earning assets. ~~Risks~~ **53Risks** Related to Operational MattersWe face significant operational risks because of our reliance on technology. Our information technology systems may be subject to failure, interruption or security breaches. Information technology systems are critical to our business. Our business requires us to collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and our own business, operations, plans and business strategies. We use various technology systems to manage our customer relationships, general ledger, investments, deposits, and loans. Our computer systems, data management and internal processes, as well as those of third parties, are integral to our performance. Our operational risks include the risk of malfeasance by employees or persons outside our company, errors relating to transaction processing and technology, systems failures or interruptions, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. There have been increasing efforts by third parties to breach data security at financial institutions. Such attacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information or other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information, damages to systems, or other material disruptions to network access or business operations. We have established policies and procedures to prevent or limit the impact of system failures, interruptions and security breaches, including privacy breaches and cyber- attacks. Although we take protective measures and believe that we have not experienced any of the data breaches described above, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber- attacks that could have an impact on information security. Because the techniques used to cause security breaches change frequently, we may be unable to proactively address these techniques or to implement adequate preventative measures. In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, or a breach of our security systems, including if confidential or proprietary information were to be mishandled, misused or lost, we could suffer financial loss, loss of customers and damage to our reputation, and face regulatory action or civil litigation. Any of these events could have a material adverse effect on our financial condition and results of operations. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. We outsource critical operations to third- party service providers. Systems failures, interruptions and cybersecurity breaches could have a material adverse effect on us. We outsource a majority of our data processing requirements to third- party providers. Accordingly, our operations are exposed to the risk that these vendors will not perform in accordance with our contractual agreements with them, or we also could be adversely affected if such an agreement is not renewed by the third- party vendor or is renewed on terms less favorable to us. If our third- party providers encounter difficulties, or if we have difficulty communicating with those service providers, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected, which could have a material adverse effect on our financial condition and results of operations. Threats to information security also exist in the processing of customer information through various other vendors and their personnel, and our third- party service providers may be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. We may have to expend additional resources to protect against the threat of such security breaches and computer viruses, or to alleviate problems caused by such security breaches or viruses. To the extent that the activities of our third- party service providers or the activities of our customers involve the storage and transmission of confidential information, security breaches and ~~51viruses~~ -- **viruses** could expose us to claims, regulatory scrutiny, litigation costs and other possible liabilities. To our knowledge, the services and programs provided to us by third parties have not experienced any material security breaches. However, the existence of cyber- attacks or security breaches at third parties with access to our data, such as vendors, may not be disclosed to us in a timely manner. ~~Our~~ **54Our** business may be adversely affected by an increasing prevalence of fraud and other financial crimes. Our loans to businesses and individuals and our deposit relationships and related transactions are subject to exposure to the risk of loss due to fraud and other financial crimes. Nationally, reported incidents of fraud and other financial crimes have increased. To our knowledge, we have not experienced material losses due to apparent fraud or other financial crimes. While we have policies and procedures designed to prevent such losses, losses may still occur. Risks Related to Accounting MattersChanges in management' s estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results. In preparing this Annual Report as well as other periodic reports we are required to file under the

Exchange Act, including our consolidated financial statements, our management is required under applicable rules and regulations to make estimates and assumptions as of a specified date. These estimates and assumptions are based on management' s best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. The area requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for credit losses. Changes in accounting standards could affect reported earnings. The regulatory bodies responsible for establishing accounting standards, including the **FASB** ~~Financial Accounting Standards Board~~ , the SEC and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our **consolidated** financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively. Other Risks Related to Our BusinessWe operate as a community bank and our ability to maintain our reputation, which is critical to the success of our business, may materially adversely affect our performance. We are a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, cybersecurity incidents and questionable or fraudulent activities of our customers. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers and employees, costly litigation and increased governmental regulation, any or all of which could adversely affect our business and operating results. The cost of additional finance and accounting systems, procedures and controls in order to satisfy our new public company reporting requirements will increase our expenses. As a result of the completion of our initial public offering in December 2023, we became a public reporting company. The obligations of being a public company, including the substantial public reporting obligations, require significant expenditures and place additional demands on our management team. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. In addition, ~~52we~~ **we** may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge, and we may not be able to do so in a timely fashion. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management' s attention from our operations. ~~Societal~~ **55Societal** responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers. 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 also may change their behavior as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a decrease in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate- friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior. Various factors may make takeover attempts more difficult to achieve. Certain provisions of our articles of incorporation and bylaws and federal and state banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of ~~NB Bancorp~~ **the Company** without our ~~board~~ **Board** of ~~directors~~ **Directors** ' approval. Massachusetts and federal regulations applicable to the conversion state that for a period of three years following completion of our conversion, no person may offer to acquire or acquire beneficial ownership of more than 10 % of our common stock without prior approval of the Federal Reserve Board. Under federal law, subject to certain exemptions, a person, entity or group must notify the Federal Reserve Board and receive the Federal Reserve Board' s non- objection before acquiring control of a bank holding company. There also are provisions in our articles of incorporation and bylaws that we may use to delay or block a takeover attempt, including a provision that prohibits any person from voting more than 10 % of our outstanding shares of common stock. Furthermore, shares of restricted stock and stock options that we may grant to employees and directors, stock ownership by our management and directors and other factors may make it more difficult for companies or persons to acquire control of ~~NB Bancorp~~ **the Company, Inc.** without the consent of our ~~board~~ **Board** of ~~directors~~ **Directors** , and may increase the cost of an acquisition. Taken as a whole, these statutory or regulatory provisions and provisions in our articles of incorporation and bylaws could result in ~~NB Bancorp~~ **the Company, Inc.** being less attractive to a potential acquirer and therefore could adversely affect the market price of our common stock. Our articles of incorporation provide that, subject to limited exception, state and federal courts in the State of Maryland are the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, and other employees. The articles of incorporation of ~~NB Bancorp~~ **the Company** provide that, unless ~~NB Bancorp~~ **the Company** consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of ~~NB Bancorp~~ **the Company** , (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of ~~NB Bancorp~~ **the Company** to ~~NB Bancorp~~ **the Company** or its stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Maryland General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine will be conducted in a state or federal court located within the State of Maryland, in all cases subject to the court having personal jurisdiction over the indispensable parties named as defendants. This exclusive forum provision does not apply to claims arising under the federal securities laws. This exclusive forum provision may limit a stockholder' s ability to bring a claim in a judicial forum it finds favorable for disputes with ~~NB Bancorp~~ **the Company** and its directors, officers, and other employees or may cause a stockholder to incur additional expense by having to bring a claim in a judicial forum that is distant from where the stockholder resides, or both. In addition, if a court were to find this exclusive forum provision to be inapplicable or unenforceable in a particular action, we may incur additional costs ~~53~~ **associated with resolving the action in another jurisdiction, which could have a material adverse effect on our financial condition and results of operations. 56**