Risk Factors Comparison 2024-03-14 to 2023-03-01 Form: 10-K

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There are various risks and uncertainties that are inherent to our business. Primary among these are (1) interest rate risk, which arises from movements in interest rates; (2) credit risk, which arises from an obligor' s failure to meet the terms of any contract with a bank or to otherwise perform as agreed; (3) risks related to our financial statements; (4) liquidity **and dividend** risk, which arises from a bank' s inability to meet its obligations when they come due without incurring unacceptable losses **, and related risks regarding our ability to pay dividends** ; (5) legal / compliance risk, which arises from violations of, or non- conformance with, laws, rules, regulations, prescribed practices, or ethical standards; (6) **financial and** market risk, which arises from changes in the value of portfolios of financial instruments **, as well as other matters that may dilute the value of our securities** ; (7) strategic risk, which is the risk of loss arising from the execution of our strategic initiatives and business strategies, including our acquisition and integration of other companies we acquire ~~, as well as inadequate or failed internal processes, people, and systems~~ ; (8) operational risk, which arises from problems with service or product delivery; and (9) reputational risk, which arises from negative public opinion resulting in a significant decline in stockholder value. Following is a discussion of the material risks and uncertainties that could have a material adverse impact on our financial condition, results of operations, and the value of our shares. The failure to properly identify, monitor, and mitigate any of the below referenced risks, could result in increased regulatory risk and could potentially have an adverse impact on the Company. Additional risks that are not currently known to us, or that we currently believe to be immaterial, also may have a material effect on our financial condition and results of operations. This **Annual** ~~report~~ **Report on Form 10- K** is qualified in its entirety by those risk factors. **Summary of Risk Factors** Interest Rate Risks **• Changes in interest rates could reduce our net interest income and negatively impact the value of our loans, securities, and other assets and have a material adverse effect on our cash flows, financial condition, results of operations, and capital. Credit Risks • Our allowance for credit losses might not be sufficient to cover our actual losses, which would adversely impact our financial condition and results of operations. • Our concentration in multi- family loans and CRE loans could expose us to increased lending risks and related loan losses. • Our New York State multi- family loan portfolio could be adversely impacted by changes in legislation or regulations. • Economic weakness in the New York City metropolitan region could have an adverse impact on our financial condition. Financial Statements Risks • Our accounting estimates and risk management processes rely on analytical and forecasting models. • Impairment in the carrying value of other intangible assets could negatively impact our financial condition. • We may fail to maintain effective internal controls, which could impact the accuracy and timeliness of financial reporting. Liquidity and Dividend Risks • Failure to maintain an adequate level of liquidity could result in an inability to fulfill our financial obligations and also could subject us to material reputational and compliance risk. • Reduction or elimination of our quarterly cash dividend could have an adverse impact on the market price of our stock. • The inability to receive dividends from our subsidiary bank could have a material adverse effect on our financial condition or results of operations, and our ability to maintain or increase the current level of cash dividends we pay to our stockholders. • If we were to defer payments on our trust preferred capital debt securities or were in default under the related indentures, we would be prohibited from paying dividends or distributions on our common stock. • Dividends on our Series A, B and C Preferred Stock are discretionary and noncumulative, and may not be paid if such payment will result in our failure to comply with all applicable laws and regulations. • Our Series A, B, and C Preferred Stocks have preferential rights over common stockholders, potentially impacting our liquidity and financial condition. Legal / Compliance Risks • Inability to fulfill minimum capital requirements could limit our ability to conduct or expand our business, pay a dividend, or result in termination of our FDIC deposit insurance, and thus impact our financial condition, our results of operations, and the market value of our stock. • Our results of operations could be materially affected by restrictions on our operations imposed by bank regulators, changes in bank regulation, or by our ability to comply with certain existing laws, rules, and regulations governing our industry. • As a Category IV banking organization, we are subject to stringent regulations, including reporting, capital stress testing, and liquidity risk management and non- compliance could result in regulatory risks and restrictions on our activities. • Noncompliance with the Bank Secrecy Act and anti- money laundering statutes / regulations could result in material financial loss. • Failure to comply with OFAC regulations could result in legal and reputational risks. • Our enterprise risk management framework may not be effective in mitigating the risks to which we are subject. • If tax authorities determine that we did not adequately provide for our taxes, our income tax expense could be increased. • We are subject to numerous consumer protection laws, and failure to comply with these laws could lead to sanctions. • Legislative and regulatory focus on data privacy and risks can subject us to heightened scrutiny and reputational damage. Financial and Market Risks • Declines in economic conditions could adversely affect the values of loans we originate and securities in which we invest. • Rising mortgage rates and adverse changes in mortgage market conditions could reduce mortgage revenue. • We are highly dependent on the Agencies to buy mortgage loans that we originate, and changes in these entities or in the manner or volume of loans they purchase or their current roles could adversely affect our business and financial condition. • Changes in the servicing, origination, or underwriting guidelines or criteria required by the Agencies could adversely affect our business, financial condition and results of operations. • Future sales or issuances of our common stock or other securities (including warrants) or the issuance of securities pursuant to the exercise of warrants issued by us may dilute existing holders of our common stock and other securities, decrease the value of our common stock and**

other securities and adversely affect the market price of our common stock and other securities. Strategic Risks • Extensive competition for loans and deposits could adversely affect the expansion of our business and our financial condition. • Limitations on our ability to grow our loan portfolios could adversely affect our ability to generate interest income. • The inability to engage in merger transactions, or to realize the anticipated benefits of acquisitions in which we might engage, could adversely affect our ability to compete with other financial institutions and weaken our financial performance. • We may be exposed to challenges in combining the operations of acquired or merged businesses, including our recent Flagstar acquisition and Signature acquisition, into our operations, which may prevent us from achieving the expected benefits from our merger and acquisition activities. • The success of the Signature transaction will depend on a number of uncertain factors, including our decisions regarding the fair value of the assets acquired and the bargain purchase gain recorded on the transaction, which could materially and adversely affect our financial condition, results of operations and future prospects. Operational Risks • Our stress testing processes rely on analytical and forecasting models that may prove to be inadequate or inaccurate, which could adversely affect the effectiveness of our strategic planning and our ability to pursue certain corporate goals. • The Company, entities that we have acquired, and certain of our service providers have experienced information technology security breaches and may be vulnerable to future security breaches, which have resulted in, and could result in, additional expenses, exposure to civil litigation, increased regulatory scrutiny, losses, and a loss of customers. • We rely on third parties to perform certain key business functions, which may expose us to further operational risk. • Failure to keep pace with technological changes could have a material adverse impact on our ability to compete for loans and deposits, and therefore on our financial condition and results of operations. • The inability to attract and retain key personnel could adversely impact our operations. • The transition to a new Chief Executive Officer will be critical to our success and our business may be adversely impacted if we do not successfully manage the transition process in a timely manner. • Our operations are dependent upon the soundness of other financial intermediaries and thus could expose us to systemic risk. • We may be terminated as a servicer or subservicer or incur costs or liabilities if we do not satisfy servicing obligations. • We may be required to repurchase mortgage loans, pay fees or indemnify buyers against losses. • We utilize third- party mortgage originators which subjects us to strategic, reputation, compliance and operational risk. • We are subject to various legal or regulatory investigations and proceedings. • We may be required to pay interest on mortgage escrow accounts under state law despite Federal preemption. • We could be exposed to fraud risks that affect our operations and reputation. Reputational Risk • Damage to our reputation could significantly harm the business we engage in, our competitive position and growth prospects. • Increasing scrutiny from customers, regulators, investors, and other stakeholders with respect to our environmental, social, and governance practices may impose additional costs on us or expose us to new or additional risks. Changes in interest rates could reduce our net interest income and negatively impact the value of our loans, securities, and other assets. This could have a material adverse effect on our cash flows, financial condition, results of operations, and capital. The cost of our deposits and short- term wholesale borrowings is largely based on short- term interest rates, the level of which is driven by the FOMC of the FRB. However, the yields generated by our loans and securities are typically driven by intermediate- term interest rates, which are set by the bond market and generally vary from day to day. The level of our net interest income is therefore influenced by movements in such interest rates, and the pace at which such movements occur. If the interest rates on our interest- bearing liabilities increase at a faster pace than the interest rates on our interest- earning assets, the result could be a reduction in net interest income and, with it, a reduction in our earnings. Our net interest income and earnings would be similarly impacted were the interest rates on our interest- earning assets to decline more quickly than the interest rates on our interest- bearing liabilities. In addition, such changes in interest rates could affect our ability to originate loans and attract and retain deposits; the fair values of our securities and other financial assets; the fair values of our liabilities; and the average lives of our loan and securities portfolios. Changes in interest rates also could have an effect on loan refinancing activity, which, in turn, would impact the amount of prepayment income we receive on our multi- family and CRE loans. Because prepayment income is recorded as interest income, the extent to which it increases or decreases during any given period could have a significant impact on the level of net interest income and net income we generate during that time. Also, changes in interest rates could have an effect on the slope of the yield curve. If the yield curve were to invert or become flat, our net interest income and net interest margin could contract, adversely affecting our net income and cash flows, and the value of our assets. Moreover, higher inflation could lead to fluctuations in the value of our assets and liabilities and off- balance sheet exposures, and could result in lower equity market valuations of financial services companies. ~~Changes to and replacement of the LIBOR Benchmark Interest Rate may adversely affect our business, financial condition, and results of operations. The Company has certain loans, interest rate swap agreements, investment securities, and debt obligations whose interest rate is indexed to LIBOR. In 2017, the FCA, which is responsible for regulating LIBOR, announced that the publication of LIBOR is not guaranteed beyond 2021. In December 2020, the administrator of LIBOR announced its intention to (i) cease the publication of the one- week and two- month U. S. dollar LIBOR after December 31, 2021, and (ii) cease the publication of all other tenors of U. S. dollar LIBOR (one, three, six, and 12- month LIBOR) after June 30, 2023, and on March 15, 2021, announced that it will permanently cease to publish most LIBOR settings beginning on January 1, 2022 and cease to publish the overnight, one- month, three- month, six- month, and 12- month U. S. dollar LIBOR settings on July 1, 2023. Accordingly, the FCA has stated that it does not intend to persuade or compel banks to submit to LIBOR after such respective dates. Until such time, however, FCA panel banks have agreed to continue to support LIBOR. In October 2021, the Federal bank regulatory agencies issued a Joint Statement on Managing the LIBOR Transition that offered their regulatory expectations and outlined potential supervisory and enforcement consequences for banks that fail to adequately plan for and implement the transition away from LIBOR. The failure to properly transition away from LIBOR may result in increased supervisory scrutiny. The implementation of a substitute index for the calculation of interest rates under the Company' s loan agreements may result in disputes or litigation with~~

~~counterparties over the appropriateness or comparability to LIBOR of the substitute index, which would have an adverse effect on the Company' s results of operations. Even when robust fallback language is included, there can be no assurances that the replacement rate plus any spread adjustment will be economically equivalent to LIBOR, which could result in a lower interest rate being paid to the Company on such assets. The Alternative Reference Rates Committee (a group of private- market participants convened by the FRB and the FRB- NY) has identified SOFR as the recommended alternative to LIBOR. The use of SOFR as a substitute for LIBOR is voluntary and may not be suitable for all market participants. SOFR is calculated and observed differently than LIBOR. Given the manner in which SOFR is calculated, it is likely to be lower than LIBOR and is less likely to correlate with the funding costs of financial institutions. Market practices related to SOFR calculation conventions continue to develop and may vary. Inconsistent calculation conventions among financial products may expose is to increased basic rate and resultant costs. Other alternatives to LIBOR also exist, but, because of the difference in how those alternatives are constructed, they may diverge significantly from LIBOR in a range of situations and market conditions. Credit Risk Our allowance for credit losses might not be sufficient to cover our actual losses, which would adversely impact our financial condition and results of operations.~~ In addition to mitigating credit risk through our underwriting processes, we attempt to mitigate such risk through the establishment of an allowance for credit losses. The process of determining whether or not the allowance is sufficient to cover potential credit losses is based on the current expected credit loss model or CECL. This methodology is described in detail under " Critical Accounting Estimates " in Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations " in this report. CECL may result in greater volatility in the level of the ACL, depending on various assumptions and factors used in this model. If the judgments and assumptions we make with regard to the allowance are incorrect, our allowance for losses on such loans might not be sufficient, and an additional provision for credit losses might need to be made. Depending on the amount of such loan loss provisions, the adverse impact on our earnings could be material. In addition, growth in our loan portfolio may require us to increase the allowance for credit losses on such loans by making additional provisions, which would reduce our net income. Furthermore, bank regulators have the authority to require us to make provisions for credit losses or otherwise recognize loan charge- offs following their periodic review of our loan portfolio, our underwriting procedures, and our allowance for losses on such loans. Any increase in the loan loss allowance or in loan charge- offs as required by such regulatory authorities could have a material adverse effect on our financial condition and results of operations. ~~Our concentration in multi- family loans and CRE loans could expose us to increased lending risks and related loan losses.~~ At December 31, ~~2022~~ **2023** , $ ~~38~~ **37** . ~~1~~ **3** billion or ~~55~~ **44. 0** percent of our total loans and leases, held for investment portfolio consisted of multi- family loans and $ ~~8~~ **10** . 5 billion or 12 **. 4** percent consisted of CRE loans. These types of loans generally expose a lender to greater risk of non- payment and loss than one- to- four family residential mortgage loans because repayment of the loans often depends on the successful operation of the properties and the sale of such properties securing the loans. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to- four family residential loans. Also, many of our borrowers have more than one of these types of loans 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 one- to- four family residential real estate loan. In addition, if loans that are collateralized by 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, which could cause us to increase our provision for loan losses and adversely affect our operating results and financial condition. **The CRE loans we make are secured by income- producing properties such as office buildings, retail centers, mixed- use buildings, and multi- tenanted light industrial properties. At December 31, 2023, $ 3. 4 billion, or 32. 1 percent of our commercial real estate loan portfolio was secured by office buildings. We may incur future losses on commercial real estate loans due to declines in occupancy rates and rental rates in office buildings, which could occur as a result of less need for office space due to more people working from home or other factors.** Our New York State multi- family loan portfolio could be adversely impacted by changes in legislation or regulation which, in turn, could have a material adverse effect on our financial condition and results of operations. On June 14, 2019, the New York State legislature passed the New York Housing Stability and Tenant Protection Act of 2019. This legislation represents the most extensive reform of New York State' s rent laws in several decades and generally limits a landlord' s ability to increase rents on rent regulated apartments and makes it more difficult to convert rent regulated apartments to market rate apartments. As a result, the value of the collateral located in New York State securing the Company' s multi- family loans or the future net operating income of such properties could potentially become impaired which, in turn, could have a material adverse effect on our financial condition and results of operations. ~~To date, the Company has not experienced any material negative impacts as a result of this legislation.~~ Economic weakness in the New York City metropolitan region, where the majority of the properties collateralizing our multi- family, CRE, and ADC loans, and the majority of the businesses collateralizing our other C & I loans, are located could have an adverse impact on our financial condition and results of operations. Our business depends significantly on general economic conditions in the New York City metropolitan region, where the majority of the buildings and properties securing the multi- family, CRE, and ADC loans we originate for investment and the businesses of the customers to whom we make our other C & I loans are located. Accordingly, the ability of our borrowers to repay their loans, and the value of the collateral securing such loans, may be significantly affected by economic conditions in this region, including changes in the local real estate market. A significant decline in general economic conditions caused by inflation, recession, unemployment, acts of terrorism, extreme weather, or other factors beyond our control, could therefore have an adverse effect on our financial condition and results of operations. In addition, because multi- family and CRE loans represent the majority of the loans in our portfolio, a decline in tenant occupancy or rents **,** due to such factors, or for other reasons, such as new legislation, could adversely impact the ability of our borrowers to repay their loans on a timely basis, which could have a negative impact on our net income. Furthermore, economic or market turmoil could occur in the near or long term. This could negatively affect our business, our financial condition, and our results of operations, as well as our ability to maintain ~~or increase~~ the level of cash dividends we currently pay to our stockholders ~~. Financial Statements Risk Our accounting estimates and risk management processes rely on analytical and forecasting models~~ . The processes we use to estimate expected 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 that we use 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 that we use for determining our expected losses are inadequate, the allowance for loan losses may not be sufficient to support future charge- offs. If the models that we use 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. Impairment in the carrying value of ~~goodwill and~~ other intangible assets could negatively impact our financial condition and results of operations. At December 31, ~~2022~~ **2023** , ~~goodwill and~~ other intangible assets **, primarily core deposit intangibles,** totaled $ **625** ~~2. 7 billion~~ **million** . ~~Goodwill and~~ **We review** our other intangible assets ~~are reviewed~~ for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. A significant decline in **deposits** ~~expected future cash flows, a material change in interest rates, a significant adverse change in the business climate, slower growth rates, or a significant or sustained decline in the price of our common stock~~ may necessitate taking **additional** charges in the future related to the impairment of ~~goodwill and~~ other intangible assets. The amount of any impairment charge could be significant and could have a material adverse impact on our financial condition and results of operations. ~~Liquidity Risks Failure~~ **We recognize the critical importance of maintaining effective internal controls over financial reporting to ensure accurate and timely financial reporting, prevent fraud, and maintain investor confidence. We have implemented a system of internal controls that is regularly reviewed and updated. However, there is a risk that we may fail** to maintain an **effective system of internal controls, which could impair our ability to report financial results accurately and in a timely manner. These risks include human error, misconduct,** ~~adequate~~ **inadequate** ~~level~~ **processes, fraud, data breaches, and non- compliance with laws and regulations. We also acknowledge the challenges posed by changes in processes, procedures, technologies, employee turnover, and labor shortages. We have identified certain material weaknesses described in Item 9A** of ~~liquidity~~ **this Annual Report on Form 10- K and may discover additional future material weaknesses or significant deficiencies, which could divert management attention and increase our expenses, in order to correct the weaknesses or deficiencies in our controls. A" material weakness" is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis. Control weaknesses or failures** could result in ~~an inability to fulfill our~~ financial **losses,** ~~obligations and also could subject us to material~~ reputational **harm, loss of investor confidence, regulatory actions,** and ~~compliance risk~~ **limitations on our business activities** . Our primary sources of liquidity are the retail and institutional deposits we gather or acquire in connection with acquisitions, and the brokered deposits we accept; borrowed funds, primarily in the form of wholesale borrowings from the FHLB- NY and various Wall Street brokerage firms; cash flows generated through the repayment and sale of loans; and cash flows generated through the repayment and sale of securities. In addition, and depending on current market conditions, we have the ability to access the capital markets from time to time to generate additional liquidity. Deposit flows, calls of investment securities and wholesale borrowings, and the prepayment of loans and mortgage- related securities are strongly influenced by such external factors as the direction of interest rates, whether actual or perceived; local and national economic conditions; and competition for deposits and loans in the markets we serve. **Deposit outflows can occur for a number of reasons, including clients seeking higher yields, clients with uninsured deposits may seek greater financial security or clients may simply prefer to do business with our competitors, or for other reasons.** The withdrawal of more deposits than we anticipate could have an adverse impact on our profitability as this source of funding, if not replaced by similar deposit funding, would need to be replaced with **more expensive** wholesale funding, the sale of interest- earning assets, **other sources of funding,** or a combination of ~~the~~ **them** ~~two~~ **all** . The replacement of deposit funding with wholesale funding could cause our overall cost of funds to increase, which would reduce our net interest income and results of operations. A decline in interest- earning assets would also lower our net interest income and results of operations **. As of December 31, 2023, approximately 35. 9 percent of our total deposits of $ 81. 5 billion were not FDIC- insured** . In addition, large- scale withdrawals of brokered or institutional deposits could require us to pay significantly higher interest rates on our retail deposits or on other wholesale funding sources, which would have an adverse impact on our net interest income and net income. Furthermore, changes to the FHLB- NY' s underwriting guidelines for wholesale borrowings or lending policies may limit or restrict our ability to borrow, and therefore could have a significant adverse impact on our liquidity. A decline in available funding could adversely impact our ability to originate loans, invest in securities, and meet our expenses, or to fulfill such obligations as repaying our borrowings or meeting deposit withdrawal demands. ~~A downgrade~~ **Downgrades** of the credit ratings of the Company and the Bank **, such as those announced by certain credit rating agencies in both February and March 2024,** could ~~also~~ **result in an acceleration in deposit outflows and additional collateral needs, which this far have been modest. They could** adversely affect our access to liquidity and capital, and could significantly increase our cost of funds, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing to lend to us or to purchase our securities. This could affect our growth, profitability, and financial condition, including our liquidity. ~~If~~ **Reduction or elimination of our quarterly cash dividend could have an adverse impact**

on the market price of our common stock. The holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds available for such payments under applicable law and regulatory guidance, and, although we ~~were~~ **have historically declared cash dividends on our common stock, we are not required** to ~~defer~~ **do so. Furthermore, the** ~~payments~~ - **payment** ~~on~~ **of dividends falls under federal regulations that have grown more stringent in recent years. While we pay** our ~~trust preferred~~ **quarterly cash dividend in compliance with current regulations, such regulations could change in the future. As a result of our acquisitions of Flagstar and Signature, we are required to seek regulatory approval from the OCC for the payment of any dividend to the Parent Company through at least the period ending November 1, 2024, which could restrict our ability to pay the common stock dividend. In the Company' s January 31, 2024 earnings release for the fourth quarter and year ended December 31, 2023, the Company announced that its Board of Directors reduced the Company' s quarterly cash dividend to $ 0. 05 per common share to accelerate the building of** capital ~~debt securities~~ **to support** ~~or~~ **our** ~~were in default under~~ **balance sheet as a Category IV banking organization. Following** the ~~related indentures~~ **issuance of that earnings release** , ~~we~~ **the market price of our common stock experienced a decline. On March 7, 2024, the Company announced that future quarterly cash dividends on shares of the Company' s common stock** would be ~~prohibited~~ **further reduced to $ 0. 01 per share. Any further reduction or elimination of our common stock dividend in the future due to actions to build capital or the inability to receive required regulatory approvals, or for any other reason, could adversely affect the market price of our common stock. The inability to receive dividends** from ~~paying~~ **our subsidiary bank could have a material adverse effect on our financial condition or results of operations, as well as our ability to maintain or increase the current level of cash** dividends **we pay to** ~~or~~ **our stockholders. The Parent Company (i. e., the company on an unconsolidated basis) is a separate and distinct legal entity from the Bank, and a substantial portion of the revenues the Parent Company receives consists of dividends from the Bank. These dividends are the primary funding source for the dividends we pay on our common stock and the interest and principal payments on our debt. Various federal and state laws and regulations limit the amount of dividends that a bank may pay to its parent company. In addition, our right to participate in a** ~~distributions~~ - **distribution of assets upon the liquidation or reorganization of a subsidiary may be subject to the prior claims of the subsidiary' s creditors. As a result of our acquisitions of Flagstar and Signature, we are required to seek regulatory approval from the OCC for the payment of any dividend to the Bancorp through at least the period ending November 1, 2024. If the Bank is unable to pay dividends to the Parent Company, we might not be able to service our debt, pay our obligations, or pay dividends** on our common stock. The terms of our outstanding trust preferred capital debt securities prohibit us from (1) declaring or paying any dividends or distributions on our capital stock, including our common stock; or (2) purchasing, acquiring, or making a liquidation payment on such stock, under the following circumstances: (a) if an event of default has occurred and is continuing under the applicable indenture; (b) if we are in default with respect to a payment under the guarantee of the related trust preferred securities; or (c) if we have given notice of our election to defer interest payments but the related deferral period has not yet commenced, or a deferral period is continuing. In addition, without notice to, or consent from, the holders of our common stock, we may issue additional series of trust preferred capital debt securities with similar terms, or enter into other financing agreements, that limit our ability to pay dividends on our common stock. Dividends on ~~the~~ **our** Series A **Preferred Stock, Series B Preferred Stock and Series C** Preferred Stock are discretionary and noncumulative, and may not be paid if such payment will result in our failure to comply with all applicable laws and regulations. Dividends on ~~the~~ **our** Series A **Preferred Stock, Series B Preferred Stock and Series C** Preferred Stock are discretionary and noncumulative. If our Board of Directors (or any duly authorized committee of the Board) does not authorize and declare a dividend on **(a)** the Series A Preferred Stock for any dividend period, holders of the ~~depositary~~ **depository** shares will not be entitled to receive any dividend for that dividend period, and the unpaid dividend will cease to accrue and be payable **, or (b) Series B Preferred Stock and Series C Preferred Stock, the holders thereof will not be entitled to receive any dividend for that dividend period** . ~~We~~ **For our Series A Preferred Stock, we** have no obligation to pay dividends accrued for a dividend period after the dividend payment date for that period if our Board of Directors (or any duly authorized committee thereof) has not declared a dividend before the related dividend payment date, whether or not dividends on the Series A Preferred Stock or any other series of our preferred stock or our common stock are declared for any future dividend period. **Dividends on our Series B Preferred Stock and Series C Preferred Stock are payable at a rate of 13 percent per annum, payable quarterly and in arrears.** Additionally, under the FRB' s capital rules, dividends on the Series A **Preferred Stock, Series B Preferred Stock and Series C** Preferred Stock may only be paid out of our net income, retained earnings, or surplus related to other additional tier 1 capital instruments. If the non- payment of dividends on Series A **Preferred Stock, Series B Preferred Stock and Series C** Preferred Stock for any dividend period would cause the Company to fail to comply with any applicable law or regulation, or any agreement we may enter into with our regulators from time to time, then we would not be able to declare or pay a dividend for such dividend period. ~~In such a case~~ **Our Series A Preferred Stock** , ~~holders of the depositary shares will~~ **Series B Preferred Stock and Series C Preferred Stock initially have rights, preferences and privileges that are** not **held by** ~~be entitled to receive any dividend for that dividend period~~ , and **are preferential** ~~the unpaid dividend will cease~~ to **the rights of,** ~~accrue and be payable. Legal / Compliance Risks Inability to fulfill minimum capital requirements could limit our ability to conduct or~~ **our common stockholders** ~~expand our business~~ , ~~pay a dividend,~~ **which could adversely affect** ~~or~~ **our liquidity** ~~result in termination of our FDIC deposit insurance,~~ and ~~thus impact our~~ financial condition **. The holders of our Series A Preferred Stock** , **Series B Preferred Stock and Series C Preferred Stock initially have the right to receive a payment on account of the distribution of assets on any voluntary** ~~our~~ - **or involuntary liquidation** ~~results of operations~~ , **dissolution** ~~and the market value of our~~ - **or winding up of our business before any payment may be made to holders of our common** stock **. Following the satisfaction of the liquidation preference, the Series B Preferred Stock and Series C Preferred Stock participates with our common stock on an as- converted basis in a liquidation, dissolution or winding up of the**

Company. Our obligations to the holders of our Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock could limit our ability to obtain additional financing, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the holders of our common stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and other classes of securities . We are subject to the comprehensive, consolidated supervision and regulation set forth by the FRB **and the OCC** . Such regulation includes, among other matters, the level of leverage and risk- based capital ratios we are required to maintain. Depending on general economic conditions, changes in our capital position could have a materially adverse impact on our financial condition and risk profile, and also could limit our ability to grow through acquisitions or otherwise. Compliance with regulatory capital requirements may limit our ability to engage in operations that require the intensive use of capital and therefore could adversely affect our ability to maintain our current level of business or expand. Furthermore, it is possible that future regulatory changes could result in more stringent capital or liquidity requirements, including increases in the levels of regulatory capital we are required to maintain and changes in the way capital or liquidity is measured for regulatory purposes, either of which could adversely affect our business and our ability to expand. For example, federal banking regulations adopted under Basel III standards require bank holding companies and banks to undertake significant activities to demonstrate compliance with higher capital requirements. Any additional requirements to increase our capital ratios or liquidity could necessitate our liquidating certain assets, perhaps on terms that are unfavorable to us or that are contrary to our business plans. In addition, such requirements could also compel us to issue additional securities, thus diluting the value of our common stock. In addition, failure to meet established capital requirements could result in the FRB **and / or OCC** placing limitations or conditions on our activities and further restricting the commencement of new activities. The failure to meet applicable capital guidelines could subject us to a variety of enforcement remedies available to the federal regulatory authorities, including limiting our ability to pay dividends; issuing a directive to increase our capital; and terminating our FDIC deposit insurance. Our results of operations could be materially affected by **the imposition of restrictions on our operations by bank regulators,** further changes in bank regulation, or by our ability to comply with certain existing laws, rules, and regulations governing our industry. We are subject to regulation, supervision, and examination by the following entities: (1) the OCC; (2) the FDIC; (3) the FRB- NY; and (4) the CFPB, as well as state licensing restrictions and limitations regarding certain consumer finance products. Such regulation and supervision govern the activities in which a bank holding company and its banking subsidiaries may engage, and are intended primarily for the protection of the DIF, the banking system in general, and bank customers, rather than for the benefit of a company' s stockholders. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including with respect to the imposition of restrictions on the operation of a bank or a bank holding company, the imposition of significant fines, the ability to delay or deny merger or other regulatory applications **, the payment of dividends** , the classification of assets by a bank, and the adequacy of a bank' s allowance for loan losses, among other matters. Failure to comply (or to ensure that our agents and third- party service providers comply) with laws, regulations, or policies, including our failure to obtain any necessary state or local licenses, could result in enforcement actions or sanctions by regulatory agencies, civil money penalties, and / or reputational damage, which could have a material adverse effect on our business, financial condition, or results of operations. Penalties for such violations may also include: revocation of licenses; fines and other monetary penalties; civil and criminal liability; substantially reduced payments by borrowers; modification of the original terms of loans, permanent forgiveness of debt, or inability to, directly or indirectly, collect all or a part of the principal of or interest on loans provided by the Bank. Changes in such regulation and supervision, or changes in regulation or enforcement by such authorities, whether in the form of policy, regulations, legislation, rules, orders, enforcement actions, ratings, or decisions, could have a material impact on the Company, our subsidiary bank and other affiliates, and our operations. In addition, failure of the Company or the Bank to comply with such regulations could have a material adverse effect on our earnings and capital. See " Regulation and Supervision " in Part I, Item 1, " Business " earlier in this filing for a detailed description of the federal, state, and local regulations to which the Company and the Bank are subject. **As a Category IV banking organization with over $ 100 billion in assets, we are subject to stringent regulations, including reporting, capital stress testing, and liquidity risk management. Non- compliance could result in regulatory risks and restrictions on our activities. As a result of the Signature transaction, our total assets exceeded $ 100 billion and therefore we became classified as a Category IV banking organization under the rules issued by the federal banking agencies that tailor the application of enhanced prudential standards to large bank holding companies and the capital and liquidity rules to large bank holding companies and depository institutions under the Dodd- Frank Act and the Economic Growth, Regulatory Relief, and Consumer Protection Act. As a Category IV banking organization we are subject to enhanced liquidity risk management requirements which include reporting, liquidity stress testing, a liquidity buffer and resolution planning, subject to the applicable transition periods. If we were to meet or exceed certain other thresholds for asset size, we would become subject to additional requirements. Failure to meet these requirements could expose us to compliance risks, higher penalties, increased expectations, and limitations on our activities. As a Category IV banking organization, we are required to implement and maintain an adequate liquidity risk management and monitoring process to ensure compliance with these requirements, and our failure to ensure compliance may have adverse consequences on our operations, reputation and future profitability. We anticipate incurring significant expenses to develop policies, programs, and systems that comply with the enhanced standards applicable to us.** Noncompliance with the Bank Secrecy Act and other anti- money laundering statutes and regulations could result in material financial loss. The BSA and the USA Patriot Act contain anti- money laundering and financial transparency provisions intended to detect and prevent the use of the U. S. financial system for money laundering and terrorist financing activities. The BSA, as amended by the USA Patriot Act, requires depository institutions to undertake activities including maintaining an anti- money laundering program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions above a certain threshold, and responding to requests for information by regulatory authorities and law enforcement agencies. FINCEN, a unit of the U. S. Treasury Department that administers the BSA, is authorized to impose significant civil monetary penalties for violations of these requirements. If our BSA policies, procedures and systems are deemed to be deficient, or the BSA policies, procedures and systems of the financial institutions that we acquire in the future are deficient, we would be subject to reputational risk and potential liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans, which would negatively impact our business, financial condition and results of operations ~~. Failure to comply with OFAC regulations could result in legal and reputational risks~~ . The United States has imposed economic sanctions that affect transactions with designated foreign countries, foreign nationals, and other potentially exposed persons. These are typically referred to as the" OFAC" rules, given their administration by the United States Treasury Department Office of Foreign Assets Control. Failure to comply with these sanctions could have serious legal and reputational consequences. Our enterprise risk management framework may not be effective in mitigating the risks to which we are subject, based upon the size, scope, and complexity of the Company. As a financial institution, we are subject to a number of risks, including interest rate, credit, liquidity, legal / compliance, market, strategic, operational, and reputational. Our ERM framework is designed to minimize the risks to which we are subject, as well as any losses stemming from such risks. Although we seek to identify, measure, monitor, report, and control our exposure to such risks, and employ a broad and diverse set of risk monitoring and mitigation techniques in the process, those techniques are inherently limited because they cannot anticipate the existence or development of risks that are currently unknown and unanticipated. For example, economic and market conditions, heightened legislative and regulatory scrutiny of the financial services industry, and increases in the overall complexity of our operations, among other developments, have resulted in the creation of a variety of risks that were previously unknown and unanticipated, highlighting the intrinsic limitations of our risk monitoring and mitigation techniques. As a result, the further development of previously unknown or unanticipated risks may result in our incurring losses in the future that could adversely impact our financial condition and results of operations. Furthermore, an ineffective ERM framework, as well as other risk factors, could result in a material increase in our FDIC insurance premiums. If federal, state, or local tax authorities were to determine that we did not adequately provide for our taxes, our income tax expense could be increased, adversely affecting our earnings. The amount of income taxes we are required to pay on our earnings is based on federal, state, and local legislation and regulations. We provide for current and deferred taxes in our financial statements, based on our results of operations, business activity, legal structure, interpretation of tax statutes, assessment of risk of adjustment upon audit, and application of financial accounting standards. We may take tax return filing positions for which the final determination of tax is uncertain, and our net income and earnings per share could be reduced if a federal, state, or local authority were to assess additional taxes that have not been provided for in our consolidated financial statements. In addition, there can be no assurance that we will achieve our anticipated effective tax rate. Unanticipated changes in tax laws or related regulatory or judicial guidance, or an audit assessment that denies previously recognized tax benefits, could result in our recording tax expenses that materially reduce our net income. We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act **and** fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions. The CRA requires the Federal Reserve **and OCC** to assess our performance in meeting the credit needs of the communities we serve, including low- and moderate- income neighborhoods. If the Federal Reserve **or OCC** determines that we need to improve our performance or are in substantial non- compliance with CRA requirements, various adverse regulatory consequences may ensue. In addition, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The CFPB, the U. S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. The CFPB is also authorized to prescribe rules applicable to any covered person or service provider, identifying and prohibiting acts or practices that are “ unfair, deceptive, or abusive ” in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. A successful regulatory challenge to an institution’ s performance under the CRA, fair lending laws or regulations, or consumer lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution’ s performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations. Additionally, state attorneys general have indicated that they intend to take a more active role in enforcing consumer protection laws, including through use of Dodd- Frank Act provisions that authorize state attorneys general to enforce certain provisions of federal consumer financial laws and obtain civil money penalties and other relief available to the CFPB. If we become subject to such investigation, the required response could result in substantial costs and a diversion of the attention and resources of our management. ~~Market~~ **Data privacy and cybersecurity** ~~Risks~~ **risks have become a subject of heightened legislative and regulatory focus in recent years. Federal bank regulatory agencies have proposed regulations to enhance cyber risk management standards, which would apply to us and our third- party service providers. These regulations focus on areas such as cyber risk governance, management of dependencies, incident response, cyber resilience, and situational awareness. State- level legislation and regulations have also been proposed or adopted, requiring notification to individuals in the event of a security breach of their personal data. Examples include the California Consumer Privacy Act (CCPA) and other state- level privacy, data protection, and data security laws and regulations. We collect, maintain, and use non- public personal information of our customers, clients, employees, and others. The sharing, use, disclosure, and protection of this information are governed by federal and state laws. Compliance with these laws is essential to protect the privacy of personal information and avoid potential liability and reputational damage. Failure to comply with privacy laws and regulations may expose us to fines, litigation, or regulatory enforcement actions. It may also**

require changes to our systems, business practices, or privacy policies, which could adversely impact our operating results. Privacy initiatives have imposed and will continue to impose additional operational burdens on us. These initiatives may limit our ability to pursue desirable business initiatives and increase the risks associated with any future use of personal data. New privacy and data protection initiatives, such as the CCPA, may require changes to policies, procedures, and technology for information security and data segregation. Non- compliance with these initiatives may make us more vulnerable to operational failures and subject to monetary penalties, litigation, or regulatory enforcement actions. A decline in economic conditions could adversely affect the value of the loans we originate and the securities in which we invest. Declines in real estate values and an increase in the financial stress on borrowers stemming from high unemployment or other adverse economic conditions, could negatively affect our borrowers and, in turn, the repayment of the loans in our portfolio. Deterioration in economic conditions also could subject us and our industry to increased regulatory scrutiny, and could result in an increase in loan delinquencies, an increase in problem assets and foreclosures, and a decline in the value of the collateral for our loans, which could reduce our customers' borrowing power. Deterioration in local economic conditions could drive the level of loan losses beyond the level we have provided for in our loan loss allowance; this, in turn, could necessitate an increase in our provisions for loan losses, which would reduce our earnings and capital. Furthermore, declines in the value of our investment securities could result in our having to record losses based on the other- than- temporary impairment of securities, which would reduce our earnings and also could reduce our capital. In addition, continued economic weakness could reduce the demand for our products and services, which would adversely impact our liquidity and the revenues we produce ~~.~~ ~~Higher inflation could have a negative impact on our financial results and operations. Inflation can negatively impact the Company by increasing our labor costs, through higher wages and higher interest rates, which may negatively affect the market value of securities on our balance sheet, higher interest expenses on our deposits, especially CDs, and a higher cost of our borrowings. Additionally, higher inflation levels could lead to higher oil and gas prices, which may negatively impact the net operating income on the properties which we lend on and could impair a borrower' s ability to repay their mortgage. Rising mortgage rates and adverse changes in mortgage market conditions could reduce mortgage revenue~~ . The residential real estate mortgage lending business is sensitive to changes in interest rates, especially long- term interest rates. Lower interest rates generally increase the volume of mortgage originations, while higher interest rates generally cause that volume to decrease. Therefore, our mortgage performance is typically correlated to fluctuations in interest rates, primarily the 10- year U. S. Treasury rate. Historically, mortgage origination volume and sales for the Bank and for other financial institutions have risen and fallen in response to these and other factors. An increase in interest rates and / or a decrease in our mortgage production volume could have a materially adverse effect on our operating results. The 10- year U. S. Treasury rate was 3. ~~88~~ **97** percent at December 31, ~~2022~~ **2023** , and averaged 2. ~~95~~ **96** percent during ~~2022~~ **2023** , ~~151~~ **101** basis points higher than average rates experienced during ~~2021~~ **2022** . The sustained higher rates experienced throughout ~~2022~~ **2023** negatively impacted the mortgage market including our loan origination volume and refinancing activity. In addition to being affected by interest rates, the secondary mortgage markets are also subject to investor demand for residential mortgage loans and investor yield requirements for these loans. These conditions may fluctuate or worsen in the future. Adverse market conditions, including increased volatility, changes in interest rates and mortgage spreads and reduced market demand, could result in greater risk in retaining mortgage loans pending their sale to investors. A prolonged period of secondary market illiquidity may result in a reduction of our loan mortgage production volume and could have a materially adverse effect on our financial condition and results of operations. Our mortgage origination business is also subject to the cyclical and seasonal trends of the real estate market. The cyclical nature of our industry could lead to periods of growth in the mortgage and real estate markets followed by periods of declines and losses in such markets. Seasonal trends have historically reflected the general patterns of residential and commercial real estate sales, which typically peak in the spring and summer seasons. One of the primary influences on our mortgage business is the aggregate demand for mortgage loans, which is affected by prevailing interest rates, housing supply and demand, residential construction trends, and overall economic conditions. If we are unable to respond to the cyclical nature of our industry by appropriately adjusting our operations or relying on the strength of our other product offerings during cyclical downturns, our business, financial condition, and results of operations could be adversely affected. Additionally, the fair value of our MSRs is highly sensitive to changes in interest rates and changes in market implied interest rate volatility. Decreases in interest rates can trigger an increase in actual repayments and market expectation for higher levels of repayments in the future which have a negative impact on MSR fair value. Conversely, higher rates typically drive lower repayments which results in an increase in the MSR fair value. We utilize derivatives to manage the impact of changes in the fair value of the MSRs. We may have basis risk and our risk management strategies, which rely on assumptions or projections, may not adequately mitigate the impact of changes in interest rates, interest rate volatility, convexity, credit spreads, or prepayment speeds, and, as a result, the change in the fair value of MSRs may negatively impact earnings. We are highly dependent on the Agencies to buy mortgage loans that we originate. Changes in these entities and changes in the manner or volume of loans they purchase or their current roles could adversely affect our business, financial condition and results of operations. We generate mortgage revenues primarily from gains on the sale of single- family residential loans pursuant to programs currently offered by Fannie Mae, Freddie Mac, Ginnie Mae and other investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. Any future changes in these programs, our eligibility to participate in such programs, their concentration limits with respect to loans purchased from us, the criteria for loans to be accepted or laws that significantly affect the activity of such entities could, in turn, result in a lower volume of corresponding loan originations or other administrative costs which may have a materially adverse effect on our results of operations or could cause us to take other actions that would be materially detrimental. Fannie Mae and Freddie Mac remain in conservatorship and a path forward for them to emerge from conservatorship is unclear. Their roles could be reduced, modified or eliminated as a result of regulatory actions and the nature of their guarantees could be limited or eliminated relative to historical measurements. The elimination or modification of the traditional roles of Fannie Mae or Freddie Mac could create additional competition in the market and significantly and ~~adversely affect our business, financial condition and results of operations. Changes in the servicing, origination, or underwriting guidelines or criteria required by the Agencies could~~ adversely affect our business, financial condition and results of operations. We are required to follow specific guidelines or criteria that impact the way we originate, underwrite or service loans. Guidelines include credit standards for mortgage loans, our staffing levels and other servicing practices, the servicing and ancillary fees that we may charge, modification standards and procedures, and the amount of non- reimbursable advances. We cannot negotiate these terms, which are subject to change at any time, with the Agencies. A significant change in these guidelines, which decreases the fees we charge or requires us to expend additional resources in providing mortgage services, could decrease our revenues or increase our costs, adversely affecting our business, financial condition, and results of operations. In addition, changes in the nature or extent of the guarantees provided by Fannie Mae and Freddie Mac or the insurance provided by the FHA could also have broad adverse market implications. The fees that we are required to pay to the Agencies for these guarantees have changed significantly over time and any future increases in these fees would adversely affect our business, financial condition and results of operations. ~~Strategic Risks~~ **During the fourth quarter of 2023, the Company took decisive actions to build capital, reinforce our balance sheet, strengthen our risk management processes, and better align the Company with relevant bank peers. We significantly built our reserve levels by recording a $ 552 million provision for loan losses, bringing our allowance for credit losses to $ 992 million at December 31, 2023, reflecting our actions to build reserves during the quarter to address weakness in the office sector, potential repricing risk in the multi-family portfolio and an increase in classified assets, which better aligns the Company with its relevant bank peers, including Category IV banks. We are also subject to regulatory capital requirements and regulatory changes could result in more stringent capital or liquidity requirements, including increases in the levels of regulatory capital we are required to maintain and changes in the way capital or liquidity is measured for regulatory purposes. Accordingly, we may seek to raise additional capital, including by pursuing or effecting additional issuances of our securities. Our ability to raise additional capital (and the associated terms) depends on conditions in the capital markets, economic conditions, and a number of other factors, including investor perceptions regarding the financial services and banking industry, market conditions and governmental activities, and on our financial condition and performance. On March 11, 2024, we completed an approximately $ 1. 05 billion equity investment in the Company in connection with which we sold and issued (a) 76, 630, 965 shares of our common stock, at a purchase price per share of $ 2. 00, (b) 192, 062 shares of a new series of our preferred stock, par value $ 0. 01 per share, designated as Series B Noncumulative Convertible Preferred Stock, at a price per share of $ 2, 000, each share of which is convertible into 1, 000 shares of common stock, (c) 256, 307 shares of a new series of our preferred stock, par value $ 0. 01 per share, designated as Series C Noncumulative Convertible Preferred Stock, at a price per share of $ 2, 000, each share of which is convertible into 1, 000 shares of common stock, and (d) warrants, which may not be exercised until 180 days after issuance thereof, affording the holder thereof the right, until the seven- year anniversary of the issuance of such warrant, to purchase for $ 2, 500 per share, shares of a new class of non- voting, common- equivalent preferred stock of the Company, each share of which is convertible into 1, 000 shares of common stock, and all of which shares of Series D NVCE Stock, upon issuance, will represent the right (on an as converted basis) to receive 315 million shares of common stock. Additionally, if the Company is not able to obtain certain approvals from our stockholders on or before September 9, 2024, then the Company will be required to issue to the investors in the March 2024 capital raise cash- settled warrants, which would become exercisable 60 days after their issuance if the such stockholder approvals still have not been obtained at such time, that provide the holder thereof the right, until the ten- year anniversary of the issuance of such warrant, to receive from the Company cash in an amount equal to (i) from issuance thereof until (and including) November 5, 2024, 160 percent of such holder' s investment in the Company in the March 2024 capital raise; (ii) on (and including) November 6, 2024 until (and including) January 4, 2025, 180 percent of such holder' s investment in the Company in the March 2024 capital raise; (iii) on (and including) January 5, 2025 until (and including) March 5, 2025, 200 percent of such holder' s investment in the Company in the March 2024 capital raise; and (iv) from and after March 6, 2025, 220 percent of such holder' s investment in the Company in the March 2024 capital raise, in each case, net of the exercise price (which is the amount of such holder' s investment in the Company in the March 2024 capital raise). Our Board of Directors has the authority, in many situations, to issue additional shares of authorized but unissued stock (including securities convertible or exchangeable for stock) in public or private offerings without any vote of our shareholders. If, in the future, the Company is required or otherwise determines to raise additional capital (including through the issuance of additional securities), any such capital raise or issuance may dilute the percentage of ownership interest of existing shareholders, may dilute the per share book value of our common stock and may adversely affect the market price of our common stock and other securities. No assurance can be given that, in the future, the Company will be able to (i) raise any required capital or (ii) raise capital on terms that are beneficial to shareholders.** Extensive competition for loans and deposits could adversely affect our ability to expand our business, as well as our financial condition and results of operations. Because our profitability stems from our ability to attract deposits and originate loans, our continued ability to compete for depositors and borrowers is critical to our success. Our success as a competitor depends on a number of factors, including our ability to develop, maintain, and build long- term relationships with our customers by providing them with convenience, in the form of multiple branch locations, extended hours of service, and access through alternative delivery channels; a broad and diverse selection of products and services; interest rates and service fees that compare favorably with those of our competitors; and skilled and knowledgeable personnel to assist our customers by addressing their financial needs. External factors that may impact our ability to compete include, among others, the entry of new lenders and depository institutions in our current markets and, with regard to lending, an increased focus on multi- family and CRE lending by existing competitors. Limitations on our ability to grow our loan portfolios could adversely affect our ability to generate interest income, as well our financial condition and results of operations, perhaps materially. Our portfolios of multi- family and CRE loans represent the largest portion of our asset mix (~~68~~ **56** percent of total loans held for investment as of December 31, ~~2022~~ **2023**). Our leadership position in these markets has been instrumental to our production of solid earnings and our consistent record of exceptional asset quality. We monitor the ratio of our multi- family, CRE, and ADC loans (as defined in the CRE Guidance) to our total risk- based capital **for** ~~to ensure that we are in~~ compliance with regulatory guidance. Any inability to grow our multi- family and CRE loan portfolios, could negatively impact our ability to grow our earnings per share. ~~The inability to engage in merger transactions, or to realize the anticipated benefits of acquisitions in which we might engage, could adversely affect our ability to compete with other financial institutions and weaken our financial performance.~~ Our ability to engage in future mergers and acquisitions ~~would depend~~ **depends** on our ability to identify suitable merger partners and acquisition opportunities, our ability to finance and complete negotiated transactions at acceptable prices and on acceptable terms, and our ability to obtain the necessary stockholder and regulatory approvals. If we are unable to engage in or complete a desired acquisition or merger transaction, our financial condition and results of operations could be adversely impacted. As acquisitions have been a significant source of deposits, the inability to complete a business combination could require that we increase the interest rates we pay on deposits in order to attract such funding through our current branch network, or that we increase our use of wholesale funds. Increasing our cost of funds could adversely impact our net interest income and our net income. Furthermore, the absence of acquisitions could impact our ability to fulfill our loan demand. In addition, mergers and acquisitions can lead to uncertainties about the future on the part of customers and employees. Such uncertainties could cause customers and others to consider changing their existing business relationships with the company to be acquired, and could cause its employees to accept positions with other companies before the merger occurs. As a result, the ability of a company to attract and retain customers, and to attract, retain, and motivate key personnel, prior to a merger' s completion could be impaired. Furthermore, no assurance can be given that acquired operations would not adversely affect our existing profitability; that we would be able to achieve results in the future similar to those achieved by our existing banking business; that we would be able to compete effectively in the market areas served by acquired branches; or that we would be able to manage any growth resulting from a transaction effectively. In particular, our ability to compete effectively in new markets would be dependent on our ability to understand those markets and their competitive dynamics, and our ability to retain certain key employees from the acquired institution who know those markets better than we do. We may ~~be exposed to challenges in combining the operations of acquired or merged businesses, including our recent Flagstar acquisition, into our operations, which may prevent us from achieving the expected benefits from our merger and acquisition activities. We may~~ not be able to fully achieve the strategic objectives and operating efficiencies that we anticipate in our merger and acquisition activities. Inherent uncertainties exist in integrating the operations of an acquired business. We may lose our customers or the customers of acquired entities as a result of the ~~acquisition~~ **acquisitions** . We may also lose key personnel from the acquired entity as a result of an acquisition. We may not discover all known and unknown factors when examining a company for acquisition or merger during the due diligence period. These factors could produce unintended and unexpected consequences for us including, but not limited to, increased compliance and legal risks, including increased litigation or regulatory actions such as fines or restrictions related to the business practices or operations of the combined business. Undiscovered factors as a result of an acquisition or merger could bring civil, criminal, and financial liabilities against us, our management, and the management of those entities we acquire or merge with. In addition, if difficulties arise with respect to the integration process, we may incur higher integration expenses than anticipated and the economic benefits expected to result from the acquisition, including revenue growth and cost savings, might not occur or might not occur to the extent we expected. Failure to successfully integrate businesses that we acquire or merge with could have an adverse effect on our profitability, return on equity, return on assets, or our ability to implement our strategy, any of which in turn could have a material adverse effect on our business, financial condition and results of operations. **Our acquisition of certain assets of Signature** ~~The inability to receive dividends from our subsidiary bank~~ **Bank** ~~could~~ **in March 2023 was an FDIC- assisted transaction and the expedited nature of the FDIC- assisted transaction did not allow bidders the time and access to information customarily associated with preparing for and evaluating a negotiated transaction. As a result, fair value estimates we** have ~~a material~~ **made in connection with the Signature transaction may be inaccurate and subject to change, which could** ~~adverse~~ **adversely impact** ~~effect on~~ our financial condition ~~or~~ **,** results of operations ~~, as well as our ability to maintain or increase the current level of cash dividends we pay to our stockholders. The Parent Company (i. e., the company on an~~ **and future prospects** ~~unconsolidated basis) is a separate and distinct legal entity from the Bank, and a substantial portion of the revenues the Parent Company receives consists of dividends from the Bank. These dividends are the primary funding source for the dividends we pay on our common stock and the interest and principal payments on our debt. Various federal and state laws and regulations limit the amount of dividends that a bank may pay to its parent company~~ . In addition, **we may obtain additional information and evidence during** ~~our right to participate in a distribution of assets upon~~ the **period** ~~liquidation or reorganization~~ of ~~a subsidiary~~ **one year from March 20, 2023, the date we completed the Signature transaction, that may result in changes to the estimated amounts recorded as of December 31, 2023, which could change the amount of the bargain purchase gain we have recorded. Adjustments to this gain** may be ~~subject to~~ **recorded based on additional information received after** the ~~prior claims of the subsidiary' s creditors. As a result of our~~ acquisition **date that affect the measurement** of **the assets** ~~Flagstar, we are required~~ **acquired and liabilities assumed and** ~~to seek regulatory approval from the OCC for the payment of~~ any ~~dividend to~~ **decrease in** the **amount** ~~Bancorp through at least the period ending November 1, 2024. If the Bank is unable to pay dividends to the Parent Company, we might not be able to service our debt, pay our obligations, or pay dividends on our common stock. Reduction or elimination~~ of **bargain purchase gain** ~~our quarterly cash dividend could have an adverse impact on the market price of our common stock. Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds available for such payments under~~

~~applicable law and regulatory guidance, and although~~ we have **recorded** ~~historically declared cash dividends on our common stock, we are not required to do so. Furthermore, the payment of dividends falls under federal regulations that have grown more stringent in recent years. While we pay our quarterly cash dividend in compliance with current regulations, such regulations~~ could ~~change in the~~ **also adversely impact our financial condition, results of operations and** future **prospects** ~~. As a result of our acquisition of Flagstar, we are required to seek regulatory approval from the OCC for the payment of any dividend to the Parent Company through at least the period ending November 1, 2024, which could restrict our ability to pay the common stock dividend. Any reduction or elimination of our common stock dividend in the future could adversely affect the market price of our common stock. Operational Risks Our stress testing processes rely on analytical and forecasting models that may prove to be inadequate or inaccurate, which could adversely affect the effectiveness of our strategic planning and our ability to pursue certain corporate goals~~ . The processes we use to estimate the effects of changing interest rates, real estate values, and economic indicators such as unemployment on our financial condition and results of operations depend 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. Furthermore, even if our assumptions are accurate predictors of future performance, the models they are based on may prove to be inadequate or inaccurate because of other flaws in their design or implementation. If the models we use in the process of managing our interest rate and other risks prove to be inadequate or inaccurate, we could incur increased or unexpected losses which, in turn, could adversely affect our earnings and capital. Additionally, failure by the Company to maintain compliance with strict capital, liquidity, and other stress test requirements under banking regulations could subject us to regulatory sanctions, including limitations on our ability to pay dividends. ~~Any failure~~ **The Company** , ~~breach~~ **entities that we have acquired** , **and certain** ~~or interruption in service involving our systems or those~~ of our service providers ~~could damage our reputation~~ **have experienced information technology security breaches and may be vulnerable to future security breaches. These incidents have resulted in** , ~~cause losses~~ **and could result in** , **additional** ~~increase our~~ expenses, **exposure to civil litigation** ~~and result in a loss of customers~~ , ~~an increase~~ **increased** ~~in~~ regulatory scrutiny, **losses** ~~heightened cyber risk~~ , ~~or expose us to civil litigation~~ and ~~possibly financial liability~~ **a loss of customers** , any of which could adversely impact our financial condition, results of operations, and the market price of our stock. Communication and information systems are essential to the conduct of our business, as we use such systems, and those maintained and provided to us by third- party service providers, to manage our customer relationships, our general ledger, our deposits, and our loans. In addition, our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we **, and entities we have acquired,** take **and have taken** protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks **, as well as the security of the computer systems, software, and networks of certain of our service providers, have been, and** may **in the future** be **,** vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber-attacks that **have had and** could have an impact on information security. With the rise and permeation of online and mobile banking, the financial services industry in particular faces substantial cybersecurity risk due to the type of sensitive information provided by customers. ~~Our systems~~ **We,** and ~~those of~~ our third- party service providers **, have been and may in the future be subject to cybersecurity incidents, including those that involve the unauthorized access to customer information affecting other financial institutions and industry groups. Our systems and those of our third- party service providers** and customers are ~~under constant~~ **regularly the subject of attempted attacks** ~~threat~~ -- **that are increasingly sophisticated** , and it is possible that we or they could experience a significant event in the future that could adversely affect our business or operations. In addition, breaches of security **have in the past and** may **in the future** occur through intentional or unintentional acts by those having authorized or unauthorized access to our confidential or other information, or that of our customers, clients, or counterparties. ~~If one or more of~~ **Certain previously identified cyber incidents have resulted, and future** such events **could result** ~~were to occur~~ , **in** the **breach of** confidential and other information processed and stored in ~~, and transmitted through,~~ our computer systems and networks **. These events** could ~~potentially be jeopardized, or could otherwise~~ cause interruptions or malfunctions in our operations or the operations of our customers, clients, or counterparties **. Further, we may not know that an attack occurred until well after the event. Even after discovering an attempt or breach occurred, we may not know the extent of the impact of the attack for some period of time** . This could cause us significant reputational damage or result in our experiencing significant losses. While we diligently assess applicable regulatory and legislative developments affecting our business, laws and regulations relating to cybersecurity have been frequently changing, imposing new requirements on us. In light of these conditions, we face the potential for additional regulatory scrutiny that will lead to increasing compliance and technology expenses and, in some cases, possible limitations on the achievement of our plans for growth and other strategic objectives. We may also be required to expend significant additional resources to modify our protective measures or investigate and remediate vulnerabilities or other exposures arising from operational and security risks, including expenses for third- party expert consultants or outside counsel. We **are currently subject to litigation regarding cyber incidents, and we** also may be subject to **future** litigation and financial losses that either are not insured against or not fully covered through any insurance we maintain **or any third- party indemnification or insurance** . We believe that the impact of any previously identified cyber incidents **, including those subject to ongoing investigation and remediation,** will not have a material financial impact ~~and we have cyber insurance in place~~ . In addition, we routinely transmit and receive personal, confidential, and proprietary information by e- mail and other electronic means. We have discussed, and worked with our customers, clients, and counterparties to develop secure transmission capabilities, but we do not have, and may be unable to put in place, secure capabilities with all of these constituents, and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of such information. We maintain disclosure controls and procedures to ensure we will timely and sufficiently notify our investors of material cybersecurity risks and incidents, including the associated financial, legal, or reputational consequence of such an event, as well as reviewing and updating any prior disclosures relating to the risk or event. While we have established information security policies ~~and~~ **,** procedures **and controls** , including an Incident Response Plan, to prevent or limit the impact of systems failures and interruptions, we may not be able to anticipate all possible security breaches that could affect our systems or information and there can be no assurance that such events will not occur or will be adequately prevented or mitigated **by our policies, procedures and controls** if they do. The Company and the Bank rely on third parties to perform certain key business functions, which may expose us to further operational risk. We outsource certain key aspects of our data processing to certain third- party providers. While we have selected these third- party providers carefully, we cannot control their actions. Our ability to deliver products and services to our customers, to adequately process and account for our customers' transactions, or otherwise conduct our business could be adversely impacted by any disruption in the services provided by these third parties; their failure to handle current or higher volumes of usage; or any difficulties we may encounter in communicating with them. Replacing these third- party providers also could entail significant delay and expense. Our third- party providers may be vulnerable to unauthorized access, computer viruses, phishing schemes, and other security breaches. Threats to information security also exist in the processing of customer information through various other third- party providers and their personnel. We may be required to expend significant 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 providers or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation, and other possible liabilities. These types of third- party relationships are subject to increasingly demanding regulatory requirements and oversight by federal bank regulators (such as the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation) and the CFPB. As a result, if our regulators conclude that we have not exercised adequate oversight and control over vendors and subcontractors or other ongoing third- party business relationships or that such third- parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines, as well as requirements for consumer remediation. In addition, the Company may not be adequately insured against all types of losses resulting from third- party failures, and our insurance coverage may be inadequate to cover all losses resulting from systems failures or other disruptions to our banking services. ~~Failure to keep pace with technological changes could have a material adverse impact on our ability to compete for loans and deposits, and therefore on our financial condition and results of operations.~~ Financial products and services have become increasingly technology- driven. Our ability to meet the needs of our customers competitively, and in a cost- efficient manner, is dependent on our ability to keep pace with technological advances and invest in new technology as it becomes available. Many of our competitors have greater resources than we do and may be better equipped to invest in and market new technology- driven products and services ~~. The inability to attract and retain key personnel could adversely impact our operations~~ . To a large degree, our success depends on our ability to attract and retain key personnel whose expertise, knowledge of our markets, and years of industry experience make them difficult to replace. Competition for skilled leaders in our industry can be intense, and we may not be able to hire or retain the people we would like to have working for us. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business, given the specialized knowledge of such personnel and the difficulty of finding qualified replacements on a timely basis. Furthermore, our ability to attract and retain personnel with the skills and knowledge to support our business may require that we offer additional compensation and benefits that would reduce our earnings **. Our success depends, in part, on the effectiveness of our transition to our new CEO, Joseph M. Otting, on April 1, 2024. The new CEO will be critical to executing on and achieving our vision, strategic direction, culture, products, and technology. If we are unable to execute an orderly transition and successfully integrate the new CEO into our leadership team, our operations and financial conditions may be adversely affected** . Many aspects of our operations are dependent upon the soundness of other financial intermediaries and thus could expose us to systemic risk. The soundness of many financial institutions may be closely interrelated as a result of relationships between them involving credit, trading, execution of transactions, and the like. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market- wide liquidity and credit problems, losses, or defaults by other institutions. As such " systemic risk " may adversely affect the financial intermediaries with which we interact on a daily basis (such as clearing agencies, clearing houses, banks, and securities firms and exchanges), we could be adversely impacted as well. We may be terminated as a servicer or subservicer or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions. At December 31, ~~2022~~ **2023** , we had relationships with ~~12~~ **10** owners of MSRs, excluding ourselves, for which we act as subservicer for the mortgage loans they own. Due to the limited number of relationships, discontinuation of existing agreements with those third parties or adverse changes in contractual terms could have a significant negative impact to our mortgage servicing revenue. The terms and conditions in which a master servicer may terminate subservicing contracts are broad and could be exercised at the discretion of the master servicer without requiring cause. Additionally, the master servicer directs the oversight of custodial deposits associated with serviced loans and, to the extent allowable, could choose to transfer the oversight of the Bank' s custodial deposits to another depository institution. Further, as servicer or subservicer of loans, we have certain contractual obligations, including foreclosing on defaulted mortgage loans or, to the extent applicable, considering alternatives to foreclosure. If we commit a material breach of our obligations as servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, causing us to lose servicing income. **When selling** ~~We may be required to repurchase~~ mortgage loans, ~~pay fees or indemnify buyers against losses. When mortgage loans are sold by us,~~ we ~~make~~ **provide** customary representations and warranties to purchasers, guarantors and insurers, including the Agencies, **regarding** ~~about the mortgage loans and the manner in which they were originated. Whole~~ loan ~~sale~~ **originations.** ~~agreements~~ **Agreements** may require ~~us to repurchase~~ **repurchasing** ~~or~~ **,** ~~substitute~~ **substituting** mortgage loans, or indemnify buyers against losses, in the event we breach these representations or warranties. ~~In addition, we may be required to repurchase~~

~~mortgage loans as a result of early payment default of the borrower or we may be required to pay fees.~~ We may also **face** ~~be subject to~~ litigation ~~relating to these representations~~ and **associated** ~~warranties which may result in significant~~ costs. With respect to loans that are originated through our broker or correspondent channels, the remedies ~~we have available~~ against ~~the~~ originating ~~broker~~ **brokers** or ~~correspondent~~ **correspondents** ~~, if any, may not be as broad as the remedies available to purchasers, guarantors and insurers of mortgage loans against us. We also face further risk that the originating broker or correspondent, if any, may not have the financial capacity to perform remedies that otherwise~~ may be **limited** ~~available. Therefore~~ , **posing financial risk** ~~if a purchaser, guarantor or insurer enforces its remedies against us, we may not be able to recover losses from the originating broker or correspondent~~ . If repurchase and indemnity demands increase ~~and such demands are valid claims~~ , our liquidity, results of operations and financial condition may also be adversely affected. **Additionally** ~~For certain investors and / or certain transactions~~ , ~~we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit or other losses incurred on the loan as a remedy for~~ servicing errors ~~with respect~~ **may lead** to **reimbursement** ~~the loan. If we have increased repurchase~~ obligations ~~because of claims for which we did not satisfy our obligations, or increased loss severity on such repurchases~~ , we may have a significant reduction to noninterest income or an increase to noninterest expense. We may incur **legal and document** ~~significant costs if we are required to, or if we elect to, re-~~ **related expenses from** ~~execute or re- file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a~~ foreclosure ~~action is challenged by a borrower. Any of these~~ actions ~~may~~ **. These challenges could** harm our reputation or negatively affect our servicing business and, as a result, our profitability. The pipeline represents the UPB for loans the Agencies identified as potentially needing to be repurchased, and the estimated probable loss associated with these loans is included in our representation and warranty reserve. While we believe the level of the reserve to be appropriate, the reserve may not be adequate to cover losses for loans that we have sold or securitized for which we may be subsequently required to repurchase, pay fines or fees, or indemnify purchasers and insurers because of violations of customary representations and warranties. Additionally, the pipeline could increase substantially without warning. Our regulators, as part of their supervisory function, may review our representation and warranty reserve for losses and may recommend or require us to increase our reserve, based upon their judgment, which may differ from that of Management. We utilize third- party mortgage originators which subjects us to strategic, reputation, compliance, and operational risk. We utilize third- party mortgage originators, i. e. mortgage brokers and correspondent lenders, who are not our employees. These third parties originate mortgages or provide services to many different banks and other entities. Accordingly, they may have relationships with, or loyalties to, such banks and other parties that are different from those they have with or to us. Failure to maintain good relations with such third- party mortgage originators could have a negative impact on our market share which would negatively impact our results of operations. We rely on third- party mortgage originators to originate and document the mortgage loans we purchase or originate. While we perform due diligence on the mortgage companies with whom we do business as well as review the loan files and loan documents we purchase to attempt to detect any irregularities or legal noncompliance, we have less control over these originators than employees of the Bank. Due to regulatory scrutiny, our third- party mortgage originators could choose or be required to either reduce the scope of their business or exit the mortgage origination business altogether. The TILA- RESPA Integrated Disclosure Rule issued by the CFPB establishes comprehensive mortgage disclosure requirements for lenders and settlement agents in connection with most closed- end consumer credit transactions secured by real property. The rule requires certain disclosures to be provided to consumers in connection with applying for and closing on a mortgage loan. The rule also mandates the use of specific disclosure forms, timing of communicating information to borrowers, and certain record keeping requirements. The ongoing administrative burden and the system requirements associated with complying with these rules or potential changes to these rules could impact our mortgage volume and increase costs. These arrangements with third- party mortgage originators and the fees payable by us to such third parties could also be subject to future regulatory scrutiny and restrictions. The Equal Credit Opportunity Act, The Consumer Protection Act and the Fair Housing Act prohibit discriminatory and other lending practices by lenders, including financial institutions. Mortgage and consumer lending practices raise compliance risks resulting from the detailed and complex nature of mortgage and consumer lending laws and regulations imposed by federal Regulatory Agencies as well as the relatively independent and diverse operating channels in which loans are originated. As we originate loans through various channels, we, and our third- party originators, are especially impacted by these laws and regulations and are required to implement appropriate policies and procedures to help ensure compliance with fair lending laws and regulations and to avoid lending practices that result in the disparate treatment of, or disparate impact to, borrowers across our various locations under multiple channels. Failure to comply with these laws and regulations, by us, or our third- party originators, could result in the Bank being liable for damages to individual borrowers, changes in business practices, or other imposed penalties. ~~We are subject to various legal or regulatory investigations and proceedings.~~ At any given time, we are involved with a number of legal and regulatory examinations as a part of ~~the routine~~ reviews conducted by regulators and other parties, which may involve **banking, securities,** consumer protection, employment, tort, and numerous other laws and regulations. Proceedings or actions brought against us may result in judgments, settlements, fines, penalties, injunctions, business improvement orders, consent orders, supervisory agreements, restrictions on our business activities, or other results adverse to us, which could materially and negatively affect our business. If such claims and other matters are not resolved in a manner favorable to us, they may result in significant financial liability and / or adversely affect the market perception of us and our products and services as well as impact customer demand for those products and services. Some of the laws and regulations to which we are subject may provide a private right of action that a consumer or class of consumers may pursue to enforce these laws and regulations. We **are currently** ~~have been, and may be in the future,~~ subject to stockholder class and derivative actions ~~,~~ which ~~could~~ seek significant damages ~~or~~ **and** other relief **, and may be subject to similar actions in the future** . Any financial liability or reputational damage could have a materially adverse effect on our business **and** , **in turn,** ~~which could have a materially adverse effect~~ on our financial condition and results of operations. Claims asserted against us can be highly complicated and slow to develop, making the outcome of such proceedings difficult to predict or estimate early in the process. As a participant in the financial services industry, it is likely that we will be exposed to a high level of litigation and regulatory scrutiny relating to our business and operations. Although we establish accruals for legal or regulatory proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, we do not have accruals for all legal or regulatory proceedings where we face a risk of loss. Due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal and regulatory proceedings, amounts accrued may not represent the ultimate loss to us from the legal and regulatory proceedings in question. As a result, our ultimate losses may be significantly higher than the amounts accrued for legal loss contingencies. For further information, see Note ~~15~~ **19** - **Commitments and** Contingencies and ~~Commitments~~ **Item 3- Legal Proceedings** . We may be required to pay interest on certain mortgage escrow accounts in accordance with certain state laws despite the Federal preemption under the National Bank Act. In 2018, the Ninth Circuit Federal Court of Appeals held that California state law requiring mortgage servicers to pay interest on certain mortgage escrow accounts was not, as a matter of law, preempted by the National Bank Act (Lusnak v. Bank of America). This ruling goes against the position that regulators, national banks, and other federally- chartered financial institutions have taken regarding the preemption of state- law mortgage escrow interest requirements. The opinion issued by the Ninth Circuit Federal Court of Appeals is legal precedent only in certain parts of the western United States. We are defending similar litigation in California, and are currently appealing a federal district court judgment against us in that case to the Ninth Circuit. We are arguing that the Lusnak case was wrongly decided; we believe our situation can be distinguished from Lusnak as a matter of law and California' s interest on escrow law should be preempted as a matter of fact. If the Ninth Circuit' s holding is more broadly adopted by other Federal Circuits, including those covering states that currently have enacted, or in the future may enact, statutes requiring the payment of interest on escrow balances or if we would be required to retroactively credit interest on escrow funds, the Company' s earnings could be adversely affected. **We face significant risks related to fraud, which could result in financial loss, expensive litigation, and damage to our** ~~Reputational~~ -- **reputation . Our organization is exposed to various types of fraud, including fraud or theft by colleagues or outsiders and unauthorized transactions. We rely heavily on information provided by clients and third parties, and misrepresentations in this information can lead to funding loans that do not meet our expectations or on unfavorable terms. We bear the** ~~Risk~~ **risk of loss associated with misrepresentations, and it can be challenging to recover any monetary losses suffered. We have implemented various controls and security measures, but the failure of any of these controls could result in a failure to detect or mitigate fraud risks in a timely manner. We are committed to ongoing investments and attention to combat fraud and enhance our security measures to protect against these risks.** Damage to our reputation could significantly harm the businesses we engage in, as well as our competitive position and prospects for growth. Our ability to attract and retain investors, customers, clients, and employees could be adversely affected by damage to our reputation resulting from various sources, including employee misconduct, litigation, or regulatory outcomes; failure to deliver minimum standards of service and quality; compliance failures; unintentional disproportionate assessment of fees to customers of protected classes; unethical behavior; unintended disclosure of confidential information; and the activities of our clients, customers, and / or counterparties. Actions by the financial services industry in general, or by certain entities or individuals within it, also could have a significantly adverse impact on our reputation. Our actual or perceived failure to identify and address various issues also could give rise to reputational risk that could significantly harm us and our business prospects, including failure to properly address operational risks. These issues include legal and regulatory requirements; consumer protection, fair lending, and privacy issues; properly maintaining customer and associated personal information; record keeping; protecting against money laundering; sales and trading practices; and ethical issues. Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social, and governance practices may impose additional costs on us or expose us to new or additional risks. Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social, and governance (" ESG") practices and disclosure. Investor advocacy groups, investment funds, and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions, and human rights. Increased ESG- related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Additionally, 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. Investors, consumers, and businesses also may change their behavior on their own as a result of these concerns. The Company and its customers will need to respond to new laws and regulations as well as investor, consumer and business preferences resulting from climate change concerns. The Company and its customers may face cost increases, asset value reductions, and operating process changes, among other impacts. The impact on the Company' s customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. In addition, the Company would face reductions in credit worthiness on the part of some customers or in the value of assets securing loans. Investors could determine not to invest in the Company' s securities due to various climate change related considerations. The Company' s efforts to take these risks into account in making lending and other decisions may not be effective in protecting the Company from the negative impact of new laws and regulations or changes in investor, consumer or business behavior.