Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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

An investment in the Company' s common stock or the Series A Preferred Stock involves risks. Stockholders should carefully consider the risks described below, together with other information contained in this Annual Report on Form 10- K and that was filed with the ~~Securities and Exchange Commission (the "~~ SEC ~~")~~, before making any purchase or sale decisions regarding the Company' s common stock or Series A Preferred Stock. If any of the following risks actually occur, the Company' s financial condition or operating results may be harmed. In that case, the trading price of the Company' s common stock may decline and stockholders may lose part or all of their investment in the Company' s common stock or Series A Preferred Stock. Risks Related to Lending Activities The Company' s emphasis on commercial lending may expose the Company to increased lending risks. At December 31, ~~2022~~ **2023**, $ 6. ~~79~~ **96** billion, or 68. ~~5~~ **3** %, of the Company' s total loans consisted of commercial real estate, multi- family real estate and land loans, and commercial and industrial loans. These portfolios have grown in recent years and the Company intends to continue to emphasize these types of lending arrangements. These types of loans may expose a lender to greater risk of non- payment and loss than residential real estate loans because repayment of the loans often depends on the successful operation of the property or the borrower' s business and the income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate loans. These loans expose the Company to greater credit risk than loans secured by residential real estate because the collateral securing these loans typically cannot be liquidated as easily as residential real estate. If the Company forecloses on these loans, the holding period for the collateral typically is longer than for a single or multifamily residential property because there are fewer potential purchasers of the collateral. Commercial and industrial loans are typically affected by the borrowers' ability to repay the loans from the cash flows of their businesses. These loans may involve greater risk because the availability of funds to repay each loan depends substantially on the success of the business itself. The collateral securing the loans and leases often depreciates over time, is difficult to appraise and liquidate and fluctuates in value based on the success of the business. The level of ~~the~~ commercial real estate ~~loan~~ **loans** ~~portfolio~~ may subject the Company to additional regulatory scrutiny. The OCC and the other federal bank regulatory agencies have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate ~~lending~~ **loans**. Under the guidance, a financial institution that, like the Bank, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may be subject to this guidance if, among other factors, (i) total reported loans for construction, land acquisition and development and other land represent 100 % or more of total capital, or (ii) total reported loans secured by multi- family and non- farm residential properties, loans for construction, land acquisition and development and other land, and loans otherwise sensitive to the general commercial real estate market, including loans to commercial real estate related entities, represent 300 % or more of total capital. Based on these factors, the Bank has a concentration in multi- family and commercial real estate lending, as such loans represented ~~438~~ **447** % of total bank capital as of December 31, ~~2022~~ **2023**. The guidance focuses on exposure to commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be at greater risk to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment ~~or in an abundance of caution~~). The guidance assists banks in developing risk management practices and determining capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. While it is management' s belief that policies and procedures with respect to the Bank' s commercial real estate loan portfolio have been implemented consistent with this guidance, bank regulators could require that additional policies and procedures be implemented consistent with their interpretation of the guidance that may result in additional costs or that may result in the curtailment of commercial real estate and multi- family lending that would adversely affect the Company' s loan originations and profitability. The **Company' s concentrations of loans in certain industries could have adverse effects on credit quality. As of December 31, 2023, the Company' s commercial real estate loan portfolio included loans to: (i) lessors of office buildings of $ 1. 3 billion, or 13 % of total loans; and (ii) borrowers in the retail industry of $ 1. 2 billion, or 12 % of total loans. Because of these concentrations of loans in specific industries, a deterioration within these industries, especially those that have been particularly adversely impacted by long- term work- from- home arrangements on the commercial real estate sector, including retail stores, hotels and office buildings, creates greater risk exposure for the Company' s commercial real estate loan portfolio. Should the fundamentals of the commercial real estate market deteriorate, the Company' s financial condition and results of operations could be adversely affected. The** Dodd- Frank Act imposes obligations on originators of residential mortgage loans **, which if not followed could lead to loan losses, litigation- related expenses, and delays in taking title to real estate collateral in a foreclosure**. Among other things, the Dodd- Frank Act requires originators to make a reasonable and good faith determination based on documented information that a borrower has a reasonable ability to repay a particular mortgage loan over the long term. If the originator cannot meet this standard, the burden is on the lender to demonstrate the appropriateness of its policies and the strength of its controls. The Dodd- Frank Act contains an exception from this Ability- To- Repay rule for " Qualified Mortgages. " Applicable rules set forth specific underwriting criteria for a loan to qualify as a Qualified Mortgage. If a loan meets these criteria and is not a " higher priced loan " as defined in FRB regulations, the CFPB rule establishes a safe harbor preventing a consumer from asserting the failure of the originator to establish the consumer' s Ability- To- Repay. However, a consumer may assert the lender' s failure to comply with the Ability- To- Repay rule for all residential mortgage loans other than Qualified Mortgages, and may challenge whether a loan actually met the criteria to be deemed an Ability- to- Pay Qualified Mortgage. These challenges have yet to be addressed by the courts. Although the majority of residential mortgages historically originated by the Company would be considered Qualified Mortgages, the Company currently originates residential mortgage loans that do not qualify. As a result of the Ability- to- Repay rules, the Company may experience loan losses, litigation- related expenses, and delays in taking title to real estate collateral in a foreclosure proceeding if these loans do not perform and borrowers challenge whether the Company satisfied the Ability- To- Repay rule upon originating the loan. The Company' s allowance for credit losses may be inadequate, which could hurt the Company' s earnings. The Company' s allowance for credit losses may prove to be inadequate to cover actual credit losses. If the Company is required to increase its allowance, current earnings may be reduced. The Company provides for losses by reserving what it believes to be an adequate amount to absorb any estimated lifetime expected credit losses. ~~A charge- off reduces the Company' s allowance for possible credit losses.~~ If the Company' s allowance was insufficient, it would be required to record a provision, which would reduce earnings for that period. Changes to the economic forecasts within the model could positively or negatively impact the ~~actual results~~ **calculation of the allowance** . In addition, regulatory agencies, as an integral part of their examination process, may require additions to the allowance based on their judgment about information available to them at the time of their examination. Any increase in the allowance for credit losses, or expenses incurred to determine the appropriate level of the allowance for credit losses, may have a material adverse effect on the Company' s financial condition and results of operations. The foreclosure process may adversely impact the Company' s recoveries on non- performing loans. The judicial foreclosure process is protracted, especially in New Jersey, where foreclosure timelines remain among the longest in the nation, which delays the Company' s ability to resolve non- performing loans through the sale of the underlying collateral. The longer timelines have been the result of the economic ~~crisis~~ **environment** , additional consumer protection initiatives related to the foreclosure process, increased documentary requirements and judicial scrutiny, and, both voluntary and mandatory programs under which lenders may consider loan modifications or other alternatives to foreclosure. These reasons and the legal and regulatory responses have impacted the foreclosure process and completion time of foreclosures for residential mortgage lenders. This may result in a material adverse effect on collateral values and the Company' s ability to minimize its losses. Risks Related to Economic Matters Inflation can have an adverse impact on the Company' s business and its customers. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Over the past **two** ~~year~~ **years** , in response to a pronounced rise in inflation, the FRB ~~has~~ raised certain benchmark interest rates to combat inflation. As discussed below under Risks Related to Interest Rates — Changes in interest rates could adversely affect results of operations and financial condition, as inflation increases and market interest rates rise, the value of the Company' s investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services the Company uses in its business operations, such as electricity and other utilities, and also generally increases employee wages, any of which can increase the Company' s non- interest expenses. Furthermore, the Company' s customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with the Company. Sustained higher interest rates by the FRB to tame persistent inflationary price pressures could also push down asset prices and weaken economic activity. A deterioration in economic conditions in the United States and the Company' s markets could result in an increase in loan delinquencies and non- performing assets, decreases in loan collateral values and a decrease in demand for the Company' s products and services, ~~all~~ **any** of which, in turn, would adversely affect the Company' s business, financial condition and results of operations. A worsening of economic conditions in the **Company' s** market area could reduce demand for the products and services and / or result in increases in the level of non- performing loans, which could adversely affect the Company' s business, financial condition, and results of operations. A deterioration in economic conditions, especially local conditions, **continued high interest** ~~as a result of COVID- 19,~~ inflation, recession or otherwise, could have the following consequences, any of which could have a material adverse effect on the business, financial condition, liquidity and results of operations, and could more negatively affect the Company compared to a financial institution that operates with more geographic diversity: • demand for the products and services may decline; • there may be an increase to the allowance for credit losses; • loan delinquencies, problem assets, and foreclosures may increase; • collateral for loans, especially real estate, may decline in value, thereby reducing customers' borrowing power, and reducing the value of assets and collateral associated with existing loans; and • the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments. Moreover, a significant decline in general economic conditions caused by inflation, recession, acts of terrorism, civil unrest, an outbreak of hostilities or other international or domestic calamities, an epidemic or pandemic, unemployment or other factors beyond the Company' s control could further impact these local economic conditions and could further negatively affect the financial results of banking operations. In addition, deflationary pressures, while possibly lowering operating costs, could have a significant negative effect on borrowers, especially business borrowers, and the values of underlying collateral securing loans, which could negatively affect financial performance. A downturn in the local economy or in local real estate values could adversely impact profits. Most of the Bank' s loans are secured by real estate and are made to borrowers throughout New Jersey and the major metropolitan areas of Philadelphia, New York, Baltimore, and Boston, as well as their surrounding areas. A return of recessionary conditions and / or negative developments in the domestic and international credit markets may significantly affect the markets in which the Company does its business, the value of loans, investments, and collateral securing loans and classified assets, reduce the demand for the Company' s products and services, and / or the ongoing operations, costs and profitability. Any of these negative events could increase the amount of non- performing loans and cause residential and commercial real estate loans to become inadequately collateralized, any of which could expose the Company to a greater risk of loss and may adversely affect the Company' s capital, liquidity and financial conditions. ~~Risks Related to Acquisitions and Growth~~ The **failure to address**

~~Company must successfully integrate~~ the ~~operations and retain the customers~~ **federal debt ceiling in a timely manner, downgrades** of **the U. S. credit rating and uncertain credit and financial market conditions may affect the stability of securities issued or guaranteed by the federal government, which may affect the valuation or liquidity of the investment securities portfolio and increase future borrowing costs. As a result of uncertain political, credit and financial market conditions, including the potential consequences of the federal government defaulting on** its **obligations for a period** ~~acquired institutions. The Company regularly completes acquisitions~~ of **time due to federal debt ceiling limitations or other unresolved political issues, investments in** financial ~~institutions~~ **instruments issued or guaranteed by the federal government pose credit default** and ~~continues~~ **liquidity risks. Given that future deterioration in the U. S. credit and financial markets is a possibility, losses or significant deterioration in the fair value of the U. S. government issued or guaranteed investments may occur. Downgrades** to ~~explore acquisition opportunities~~ **the U. S. credit rating could affect the stability of securities issued or guaranteed by the federal government and the valuation or liquidity of the portfolio of such investment securities, and could result in the Company' s counterparties requiring additional collateral for borrowings. Further, unless and until U. S. political, credit and financial market conditions have been sufficiently resolved or stabilized, it may increase the Company' s future borrowing costs. Rising interest rates have decreased the value of the Company' s securities portfolio, and the Company would realize losses if it were required to sell such securities to meet liquidity needs. As a result of inflationary pressures and the resulting rapid increases in interest rates in 2023, the trading value of previously issued government and other fixed income securities has declined significantly. These securities make up a majority of the securities portfolio of most banks in the U. S., including the Company' s, resulting in unrealized losses embedded in the securities portfolios and reported** as ~~part~~ **a separate component** of ~~its strategic plan~~ **stockholders' equity** . **While the Company does not currently intend to sell** ~~Future results of operations will depend in large part on the~~ **these securities, if** ~~Company' s ability to successfully integrate~~ the ~~operations of the institutions~~ **Company were required to sell such securities to meet liquidity needs,** it **may incur losses, which could impair** ~~acquires and retain the employees and customers of those~~ -- **the** ~~institutions. If the~~ Company ~~is unable to successfully manage the integration of the separate cultures, employee and customer bases and operating systems of the institutions it acquires, the Company~~ ' s **capital,** ~~results of operations may be adversely affected. The Company' s failure to successfully manage its growth may adversely impact its~~ financial condition **,** and results of ~~operation~~ **operations** ~~. The~~ **and could require the** Company ~~may be challenged~~ to ~~successfully manage~~ **raise additional capital on unfavorable terms, thereby negatively impacting** its ~~business~~ **profitability. While the Company** ~~as~~ **has** ~~a result of~~ **taken actions to maximize its funding sources,** ~~the~~ **there is no guarantee** ~~strain on management and operations~~ that **such actions** may result from growth. The ability...... assurance can be given that the Company will be successful **or sufficient** in ~~these~~ -- **the** ~~efforts~~ **event of sudden liquidity needs** . ~~The Company' s intent~~ **Furthermore, while the Federal Reserve Board has announced a Bank Term Funding Program available** to **eligible depository institutions secured by U** ~~expand its geographic footprint may not be successful in entering into new markets~~ . **S** ~~The Company intends to expand its geographic footprint through acquisitions and organic growth~~ . ~~Entering into new markets involves~~ **treasuries, agency debt and mortgage- backed securities, and other qualifying assets as collateral at par, to mitigate the** ~~risks~~ - **risk** ~~,~~ **of potential losses on the sale of** such **instruments** ~~as competitive disadvantages through a lack of name recognition~~ , ~~increased marketing costs, and the~~ **there is no guarantee that** ~~inability to otherwise grow market share as needed to offset the costs associated with expansion. The failure to successfully implement a geographic growth strategy could adversely affect the Company' s results of operations. The Company may need to raise additional capital in the future and~~ such **programs** ~~capital may not be available when needed or at terms that are beneficial to stockholders. Substantial growth may stress regulatory capital levels, and may require the Company to raise additional capital. No assurance can be given that the Company~~ will be **effective in addressing liquidity needs** ~~able to raise any required capital, or that it will be able to raise capital on terms that are beneficial to stockholders. A portion of the Company' s loan portfolio has grown through acquisition, and therefore may not have been underwritten to meet the Company' s credit standards. Loans that were acquired~~ as part of the Company' s acquisitions...... or that any such losses, if they occur, will not have a material...... inflation. Market interest rates have risen - **arise** ~~in response to the FRB' s recent rate increases. As discussed below, the increase in market interest rates could have an adverse effect on the Company' s net interest income and profitability~~ . Changes in interest rates could adversely affect results of operations and financial condition. The Company' s ability to make a profit largely depends on net interest income, which could be negatively affected by changes in interest rates. Further, interest- bearing liabilities generally have shorter contractual maturities than interest- earning assets and are subject to repricing based on economic conditions, competition, and funding availability **,** among other factors. This imbalance can create significant earnings volatility as market interest rates change over time. In a period of rising interest rates, the interest income earned on interest- earning assets may not increase as rapidly as the interest paid on interest- bearing liabilities, which would be expected to compress the interest rate spread and have a negative effect on the Company' s profitability. Additionally, a flat or an inverted yield curve, where short-term rates are close to, or above, long- term rates, could adversely affect the Company' s financial condition and results of operations. In addition, changes in interest rates can affect the average life of loans and investment securities. A reduction in interest rates causes increased prepayments of loans and mortgage- backed securities as borrowers refinance their debt to reduce their borrowing costs. This creates reinvestment risk, which is the risk that the Company may not be able to reinvest the funds from faster prepayments at rates that are comparable to the rates earned on the prepaid loans or securities. Conversely, an increase in interest rates generally reduces prepayments. Additionally, increases in interest rates may decrease loan demand and / or make it more difficult for borrowers to repay adjustable- rate loans. Changes in interest rates may also affect the current estimated fair value of the securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. Unrealized net losses on securities available- for- sale are reported as a separate component of stockholders' equity. To the extent interest rates increase and the value of the available- for- sale portfolio decreases, stockholders' equity will be adversely affected. Changes in the estimated fair value of debt securities may reduce stockholders' equity and net income. At December 31, ~~2022~~ **2023** , the Company maintained a debt securities portfolio of $ 1. ~~68~~ **91** billion, of which $ ~~457~~ **753** . ~~6~~ **9** million was classified as available- for- sale. The estimated fair value of the available- for- sale debt securities portfolio may change depending on the credit quality of the underlying issuer, market liquidity, changes in interest rates and other factors. Stockholders' equity ~~is increased~~ **increases** or ~~decreased~~ **decreases** by the amount of the change in the unrealized gain or loss (difference between the estimated fair value and the amortized cost) of the available- for- sale debt securities portfolio, net of the related tax expense or benefit, under the category of accumulated other comprehensive income (loss). During the year ended December 31, ~~2022~~ **2023** , the Company incurred other comprehensive ~~losses~~ **gains** of $ ~~33~~ **14** . ~~4~~ **3** million, net of tax, related to net changes in unrealized holding ~~losses~~ **gains** in the available- for- sale investment securities portfolio, which ~~negatively~~ **positively** impacted stockholders' equity, as well as book value per common share. The ~~decrease~~ **increase** occurred even though the securities are not sold. The Company conducts a periodic review of the debt securities portfolio to determine if any decline in the estimated fair value of any security below its cost basis is considered impaired. Factors which are considered in the analysis include, but are not limited to, the extent to which the fair value is less than the amortized cost basis, the financial condition, credit rating and future prospects of the issuer, whether the debtor is current on contractually obligated interest and principal payments and the **Company' s** intent and ability to retain the security for a period of time sufficient to allow for any anticipated recovery in fair value and the likelihood of any near- term fair value recovery. If such decline is deemed to be uncollectible, the security is written down to a new cost basis and the resulting loss will be recognized as a securities **provision for** credit ~~loss~~ **losses** ~~expense~~ through an allowance for securities credit losses. ~~each institution acquired as part of the diligence process,and believes that it has established reasonable credit marks with regard to all loans acquired,no assurance can be given that the Company will not incur losses in excess of the credit marks with regard to these acquired loans,or that any such losses,if they~~ occur,will not have a material adverse effect on the Company' s business,financial condition,and results of operations.Future acquisition activity could otherwise negatively affect financial condition and results of operations.The Company continues to evaluate opportunities to acquire ~~financial~~ institutions ~~,financial service companies~~ and / or bank branches.Acquiring other banks,businesses,or branches may have an adverse effect on financial results and may involve various other risks commonly associated with acquisitions,including those discussed above,as well as,among other things:• payment of a premium over book and market values **that** may dilute the book value and earnings per share in the short and long- term;• potential exposure to unknown or contingent liabilities of the target company;• exposure to potential asset quality problems of the target company;• inability to realize the expected revenue increases,cost savings,increases in geographic or product presence,and / or other projected benefits of the acquisition;• potential disruption to the business;• potential diversion of management' s time and attention;• the possible loss of key employees and customers of the target company;and • potential changes in banking or tax laws or regulations that may affect the target company.Acquisitions may reduce or not enhance cash flows,business,financial condition,results of operations or prospects **as expected** and,as a result,such acquisitions may have an adverse effect on the results of operations,particularly during periods in which the acquisitions are being integrated into operations. **The reversal of the historically low interest rate environment may adversely affect net interest income and profitability.The FRB decreased benchmark interest rates significantly,to near zero,in response to the COVID- 19 pandemic.The FRB has reversed its policy of near zero interest rates given its concerns over inflation.Market interest rates have risen** Risks Related to Loan Sales The Company may be required to repurchase mortgage loans for a breach of representations and warranties, which could harm the Company' s earnings. The Company enters into loan sale agreements with investors in the normal course of business. The loan sale agreements generally require the repurchase of certain loans previously sold in the event of a violation of various representations and warranties customary in the mortgage banking industry. ~~FNMA~~ **FHLB** , ~~FHLMC~~ **Fannie Mae, Freddie Mac** and investors carefully examine loan documentation on delinquent loans for a possible reason to request a repurchase by the loan originator. A subsequent sale of a repurchased mortgage loan could be at a significant discount to the unpaid principal balance. The Company maintains a reserve for repurchased loans. However, if repurchase activity or the amount of loss on the sale of a repurchased loan is greater than anticipated, the reserve may need to be increased to cover actual losses, which could harm ~~future~~ earnings. Risks Related to Laws and Regulations The Company and the Bank operate in a highly regulated environment and may be adversely affected by changes in laws and regulations. The Company is subject to examination, supervision and regulation by the FRB. The Bank is subject to regulation, supervision and examination by the OCC, its primary federal regulator, by the FDIC, as insurer of deposits, and by the CFPB with respect to consumer protection laws. Such regulation and supervision governs the activities in which an institution and its holding company may engage. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on operations, the classification of assets and determination of the level of the allowance for credit losses. The laws and regulations that govern the Company' s and the Bank' s operations are designed for the protection of depositors and the public, but not the Company' s stockholders. These provisions, as well as ~~any other aspects of current or~~ future regulatory or legislative changes ~~to laws~~ applicable to the financial industry, may impact the profitability of the Company' s business activities and may change certain business practices, including the ability to offer new products, obtain financing, generate fee income, attract deposits, make loans and achieve satisfactory interest spreads, and could expose the Company to additional costs, including increased compliance costs. ~~These~~ **Such** changes also may require the Company to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect the Company' s business, financial condition, and results of operations. As part of its lending activity, the Company may enter into interest rate swaps that allow commercial loan customers to effectively convert a variable- rate commercial loan to a fixed- rate commercial loan. Under these agreements, the Company enters into a variable rate loan agreement with a customer in addition to an interest rate swap agreement, which serves to effectively swap the customer' s variable rate loan into a fixed rate loan. The Company then enters into a corresponding swap agreement with a third party in order to economically hedge its exposure through the customer agreement, as well as more broadly **to** ~~hedges~~ **hedge** variable cash flows associated with its floating rate loans. Offering these products can subject the Company to additional regulatory oversight and cost, as well as additional risk. The Dodd- Frank Act contains a comprehensive framework for over- the- counter derivatives transactions. Even though many of the requirements do not impact the Company directly, since the Bank does not meet the definition of swap dealer or " major swap participant, " the Company continues to review and evaluate the extent to which such requirements impact its business indirectly or if and when such requirements may apply to the Bank directly. The Commodity Futures Trading Commission set the permanent aggregate gross notional amount threshold for the de minimis exception from the definition of swap dealer at $ 8. 0 billion in swap dealing activity entered into by a person over the preceding 12 months. The Company' s swap dealing activities are currently below this threshold. The USA Patriot and Bank Secrecy Acts require financial institutions to develop programs and procedures to prevent financial institutions from being used for money laundering, terrorist financing and other illicit activities, including filing suspicious activity reports and establishing procedures for identifying and verifying the identity of customers seeking to open new ~~financial~~ accounts. Failure to comply with these regulations could result in wide variety of sanctions, including payment of damages and civil money penalties, injunctive relief, and restrictions on mergers and acquisitions activity and ~~expansion~~ **expansionary activities** . Although the Company has developed policies and procedures designated to comply with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations. The Company is subject to stringent capital requirements, which may adversely impact return on equity, require additional capital raises, or limit the ability to pay dividends or repurchase shares. Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk- based capital and leverage ratios, and define " capital " for calculating these ratios. The minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4. 5 %; (ii) a Tier 1 to risk- based assets capital ratio of 6 %; (iii) a total capital ratio of 8 %; and (iv) a Tier 1 leverage ratio of 4 %. The regulations also establish a " capital conservation buffer " of 2. 5 %, which if complied **with,** will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7 %; (ii) a Tier 1 to risk- based assets capital ratio of 8. 5 %; and (iii) a total capital ratio of 10. 5 %. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the capital conservation buffer amount. The application of these capital requirements could, among other things, require the Company to maintain higher capital resulting in lower returns on equity, and **could** require the Company to obtain additional capital to comply or result in regulatory actions if the Company is unable to comply with such requirements. See Regulation and Supervision, Bank Holding Company Regulation. Monetary policies and regulations of the Federal Reserve Board could adversely affect the Company' s business, financial condition, and results of operations. The Company' s earnings and growth are affected by the policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve Board to implement these objectives are open market purchases and sales of U. S. government securities, adjustments of the discount rate and changes in banks' reserve requirements against certain transaction account deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits. The monetary policies and regulations of the Federal Reserve Board have a significant effect on the overall economy and the operating results of financial institutions. The Company is subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties. The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. A successful regulatory challenge to an institution' s performance under the CRA or fair lending laws and regulations could result in sanctions, including payment of damages and civil money penalties, injunctive relief, and restrictions on mergers and acquisitions activity and ~~expansion~~ **expansionary activities** . Private parties may also challenge an institution' s performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on the Company' s business, financial condition, and results of operations. **Needs to Improve rating under The Community Reinvestment Act may restrict the Company' s operations and limit its ability to pursue certain strategic opportunities. The Bank received a CRA Performance Evaluation from the OCC with a rating of " Needs to Improve " for the evaluation period January 1, 2018 through December 31, 2020. Based on its performance on the individual components of the CRA tests, the Bank received a rating of " Low Satisfactory " for the Lending, Investment, and Service Tests. The Bank' s final overall rating, however, was downgraded to " Needs to Improve " because of a Fair Housing Act violation cited by the OCC. The Bank' s management has taken actions, including adding to its compliance staff, to address the deficiencies and is committed to taking further voluntary corrective actions. A " Needs to Improve " rating may restrict certain expansionary activities, including certain mergers and acquisitions and the establishment of Bank branches. The rating also results in a loss of expedited processing of applications to undertake certain activities. The rating will remain in place until the OCC issues a revised CRA rating following a subsequent CRA examination. The next CRA examination is expected to commence sometime in 2024 for the CRA examination period 2021 to 2023. The precise timing of the examination and any results therefrom will not be known until after the completion of the examination.** The Federal Reserve Board may require the Company to commit capital resources to support the Bank. Federal law requires that a holding company act as a source of financial and managerial strength to its subsidiary bank and to commit resources to support such subsidiary bank. Under the " source of strength " doctrine, the Federal Reserve Board may require a holding company to make capital injections into a troubled subsidiary bank and may charge the holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may require the holding company to borrow the funds or raise capital. ~~Thus~~ **Under such a scenario** , any borrowing or funds needed to raise capital required to make a capital injection ~~becomes~~ **may be** more difficult and expensive and could have an adverse effect on the Company' s business, financial condition, and results of operations. The Company is subject to heightened regulatory requirements as a result of total assets exceeding $ 10 billion. The Company' s total assets were $ 13. ~~1~~ **5** billion at December 31, ~~2022~~ **2023 , thereby making it** ~~and banks or financial institutions with assets in excess of $ 10 billion are~~ subject to requirements imposed by the Dodd- Frank Act and its implementing regulations, including ~~the~~ examination **by** ~~authority of~~ the CFPB to assess compliance with federal consumer financial laws, imposition of higher FDIC premiums, reduced debit card interchange fees, and enhanced risk management frameworks, all of which increase operating costs and reduce earnings. Additional costs have been and will be incurred to implement processes, procedures, and monitoring of compliance with these ~~imposed~~ requirements, including investing significant management attention ~~and resources to make the necessary changes to comply with the requirements under the Dodd- Frank Act. The Company faces the risk of failing to meet these requirements, which could result in regulatory action. While the effect of any presently contemplated or future changes in the laws or regulations or their interpretations would have is unpredictable, these changes could be materially adverse to the Company' s investors~~ . Furthermore, the level of dividends the Company receives from the Federal Reserve Bank of Philadelphia is reduced due to its asset size. The asset size **whereby an institution received reduced dividends** was originally established at $ 10 billion, but has been increased for inflation such that, for ~~2022~~ **2023** , the asset level is $ ~~11~~ **12** . ~~23~~ **12** billion ~~. Financial institutions whose assets exceed that level receive dividends generally equal to the rate of the 10- year Treasury note, as opposed to 6 % for smaller financial institutions. Such reduction has significantly decreased the dividends received from the Federal Reserve Bank of Philadelphia, which totaled $ 1. 3 million for the year ended December 31, 2022~~ . Risks Related to Dividend Payments There is no guaranty that the Company will be able to continue to pay a dividend on its common stock or, if continued, will be able to pay a dividend at the current rate. The Board of Directors of the Company determines if, when and the amount of dividends that may be paid on the common stock. In making such determination under the Company' s capital management plan, the Board of Directors takes into account various factors including economic conditions, earnings, **alternative uses of the Company' s capital,** liquidity needs, the financial condition of the Company, applicable state law, **tax and** regulatory requirements and other factors deemed relevant by the Board of Directors. Although the Company has a history of paying a quarterly dividend on its common stock, there is no guaranty that such dividends will continue to be paid in the future or at what rate. Dividends on the Series A Preferred Stock are discretionary and non- cumulative. Dividends on the Series A Preferred Stock are discretionary and will not be cumulative. If the Board of Directors does not declare a dividend on the Series A Preferred Stock ~~in respect of a dividend period, then no dividend will be payable on the applicable dividend payment date~~ , no dividend will be deemed to have accumulated for such dividend period, and the Company will have no obligation to pay any dividend for that dividend period at any time, whether or not the Board of Directors declares a dividend on the Series A Preferred Stock or any other class or series of the Company' s capital stock for any future dividend period. Any declaration and payment of dividends on the Series A Preferred Stock will depend upon, among other factors, the Company' s earnings and financial condition, liquidity and capital **levels and** requirements, the general economic and regulatory climate, the ability to service any equity or debt obligations senior to the Series A Preferred Stock, and other factors deemed relevant by the Board of Directors. In addition, under the Federal Reserve' s capital rules, dividends on the Series A Preferred Stock may only be paid out of net income, retained earnings, or surplus related to other additional Tier 1 capital instruments. Risks Related to Competition Competition may adversely affect profitability and liquidity. The Company ~~has~~ **experiences** substantial competition in originating ~~commercial and consumer~~ loans in its market area. This competition comes principally from other banks, savings institutions, mortgage banking companies and other lenders. Many of these competitors enjoy advantages, including greater financial resources and access to capital, stronger regulatory ratios and higher lending limits, a wider geographic presence, more accessible branch office locations, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. In addition, rapid technological changes and consumer preferences may result in increased competition for the Company' s services. Increased competition could reduce the Company' s net income by decreasing the number and size of loans that the Company originates and the interest rates charged on these loans. Competitive factors driven by consumer sentiment or otherwise can also reduce the Company' s ability to generate fee income, such as through overdraft fees. In attracting deposits, the Company faces substantial competition from other insured depository institutions such as banks, savings institutions and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds. Many competitors enjoy advantages, including greater financial resources and access to capital, stronger regulatory ratios, more aggressive marketing campaigns, better brand recognition and more branch locations. These competitors may offer higher interest rates than the Company, which could decrease the deposits that the Company attracts or require the Company to increase its rates to retain existing deposits or attract new deposits. Increased deposit competition could adversely affect the Company' s ability to generate the funds necessary for lending operations. As a result, the Company may need to seek other sources of funds that may be more expensive to obtain **,** which could increase the cost of funds. In addition, rapid technological changes and consumer preferences may result in increased competition for the Company' s other services. A number of well- funded technology focused companies are innovating the payments, distributed ledger, and cryptocurrency networks and are attempting to disintermediate portions of the traditional banking model. A shift in the mix of payment forms away from the Company' s products and services could have a material adverse effect on the Company' s financial position and results of operations. The Company has also been active in competing for New Jersey governmental and municipal deposits. At December 31, ~~2022~~ **2023** , these relationships included public school districts, local municipal governments, and cooperative health insurance funds, ~~and~~ **which** such deposits accounted for approximately **23** ~~25. 1~~ % of the Company' s total deposits ~~. The governor of New Jersey has proposed that the state form and own a bank in which governmental and municipal entities may deposit their excess funds, with the state owned bank then financing small businesses and municipal projects in New Jersey. Should this proposal be adopted and a state owned bank formed, it could impede the Company' s ability to attract and retain governmental and municipal deposits and financing opportunities~~ . Public fund deposits from local government entities such as counties, townships, school districts and other municipalities generally have higher average balances and the Company' s inability to retain such funds could adversely affect liquidity or result in the use of higher- cost funding sources. Risks Related to Strategic Matters New lines of business or new products and services may subject the Company to additional risks. The Company may implement new lines of business or offer new products and services within existing lines of business. In developing and marketing new lines of business and / or new products and services significant time and resources may be invested. Initial timetables for the development and introduction of new lines of business and / or new products or services may not be achieved and price and profitability targets may not prove feasible. Furthermore, if customers do not perceive new offerings as providing significant value, they may fail to accept the new products and services. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences may also impact the successful implementation of a new line of business or a new product or service. Furthermore, the burden on management and information technology of introducing any new line of business and / or new product or service could have a significant impact on the effectiveness of the Company' s system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on the Company' s business, financial condition, and results of operations. The Company' s inability to tailor its retail delivery model to respond to consumer preferences ~~in banking~~ may negatively affect earnings. The Company has expanded its market presence through acquisitions and growth. The Company' s branch network continues to be a very significant source of new business generation, however, consumers continue to migrate much of their routine banking to self- service channels. In recognition of this shift in consumer patterns, the Company has undertaken a comprehensive review of its branch network, resulting in branch consolidation accompanied by the enhancement of the Company' s capabilities to serve its customers through alternate delivery channels. The benefits of this strategy are dependent on the Company' s ability to realize expected expense reductions without experiencing significant customer attrition. Risks Related to Operational Matters Risks associated with system failures, interruptions, or breaches of security could disrupt businesses, result in the disclosure of confidential information, damage the reputation of, and create significant financial and legal exposure for the Company. Information technology systems are critical to the Company' s business, which ~~,~~ is required to collect, process, transmit and store significant amounts of confidential information regarding the Company' s customers, employees and its own business, operations, plans and business strategies. The Company uses various technology systems to manage customer relationships, deposits and loans, general ledger, securities investments, and other processes. The computer systems, data management and internal processes, as well as those of third parties, are integral to the Company' s performance. The heavy reliance on information technology systems exposes the Company to operational risks, which include the risk of malfeasance by employees or persons outside the Company, errors relating to transaction processing and technology, systems failures or interruptions, failures to properly implement systems upgrades, breaches of the Company' s internal control systems and compliance requirements, and business continuation and disaster recovery. Financial institutions and companies have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, often through the introduction of computer viruses or malware, cyberattacks, ransomware and other means. Additionally, there is the risk of distributed denial- of- service or other similar attacks from technically sophisticated and well- resourced third parties, which are intended to disrupt online services. Despite the Company' s efforts to ensure the integrity of its systems, the Company may not be able to implement effective preventive measures against all security breaches, especially because the techniques used change frequently or are not recognized until launched, and because cyberattacks can originate from a wide variety of sources. Those parties may also attempt to fraudulently induce employees, customers or other users of the Company' s systems to disclose sensitive information in order to gain access to the Company' s data or that of its customers or clients. These risks may increase in the future as the Company continues to increase its mobile and other internet- based product offerings and systems. In addition, a majority of data processing is outsourced to certain third- party providers. If these third- party providers encounter difficulties, or if there is difficulty communicating with them, the ability to adequately process and account for transactions could be affected, and business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various vendors and their personnel. Breaches of security may occur through intentional or unintentional acts by those having authorized or unauthorized access to the confidential or other information of the Company and its customers, clients or counterparties. While management regularly reviews security assessments that were conducted on the Company' s third- party service providers that have access to sensitive and confidential information, there can be no assurance that their information security protocols are sufficient to withstand a cyber- attack or other security breach. The occurrence of any system failures, interruption, or breach of security of the Company' s or its vendors' systems could cause serious negative consequences for the Company, including significant disruption of the Company' s operations, misappropriation of confidential information of the Company or that of its customers, or damage to computers or systems of the Company and those of its customers and counterparties, ~~and~~ which could result in violations of applicable privacy and other laws, financial loss to the Company or to its customers, loss of confidence in the Company' s security measures, customer dissatisfaction, significant litigation exposure, and harm to the Company' s reputation, all of which could have a material adverse effect on the Company **. The Company' s board of directors relies on management in overseeing cybersecurity risk management. The Company has a standing Information Technology and Security Management Committee, consisting of leaders across multiple domains. The Chief Information Security Officer is the primary management liaison to the committee. The committee meets quarterly, or more frequently if needed, and reports to the board of directors after each meeting through committee minutes. While select Board members of the Company have experience in multiple disciplines including cybersecurity risk management, the Board relies on the Chief Information Security Officer and management for cybersecurity guidance. If the Company is not able to maintain qualified and experienced directors, it**

could negatively impact the Company' s security measures, reputation, and growth . An inability to attract and retain qualified personnel or the unexpected loss of service of any key personnel could have a negative impact on financial condition and results of operations. The Company' s ability to maximize profitability and manage growth successfully will depend on its ability to continue to attract and retain management and loan officers experienced in banking and financial services and familiar with the communities in its market area. The unexpected loss of service of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could adversely affect the Company. If the Company is not able to attract qualified personnel it could negatively impact the Company' s profitability and growth. Risks Related to Accounting and Internal Controls Matters The Company may incur impairments to goodwill. At December 31, ~~2022~~ **2023** , the Company had $ 506. 1 million in goodwill, which is evaluated for impairment at least annually. Significant negative industry or economic trends, including declines in the market price of the Company' s stock, reduced estimates of future cash flows or business disruptions could result in impairments to goodwill. The valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and to rely on projections of future operating performance. If the analysis results in impairment to goodwill, an impairment charge to earnings would be recorded in the financial statements during the period in which such impairment is determined to exist. Any such charge could have an adverse effect on the results of operations. Controls and procedures may fail or be circumvented, which, if not remediated appropriately or timely, could result in loss of investor confidence and adversely impact the Company' s stock price. Management routinely reviews and updates internal controls. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company, the results of operations and financial condition, investor confidence, and stock price. Changes in management' s estimates and assumptions may have a material impact on the Company' s consolidated financial statements and the financial condition or operating results. In preparing periodic reports the Company is required to file under the Securities Exchange Act of 1934, including the consolidated financial statements, management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date. These estimates and assumptions are based on management' s best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known, including the evaluation of the adequacy of the allowance for credit losses. Changes in accounting standards could affect reported earnings. The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board (" FASB "), the SEC and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of the Company' s financial statements. These changes can be hard to predict and can materially impact how the financial condition and results of operations are reported. In some cases, the Company could be required to apply new or revised guidance retroactively. Risks Related to Environmental and Other Global Matters Hurricanes and other natural disasters, climate change or increases to flood insurance premiums could adversely affect asset quality and earnings. The Company' s ~~trade~~ **market** area includes counties in New Jersey with extensive coastal regions. These areas may be vulnerable to flooding or other damage from future storms or hurricanes, which could negatively impact the Company' s results of operations by disrupting operations, adversely impacting the ability of the Company' s borrowers to repay their loans, damaging collateral or reducing the value of real estate used as collateral. The Company' s business, financial condition, and results of operations could be adversely affected by natural disasters, health epidemics, and other catastrophic events. The Company could be adversely affected if key personnel or a significant number of employees were to become unavailable due to a pandemic, natural disaster, war, act of terrorism, accident, or other reason. Any of these events could result in the temporary reduction of operations, employees, and customers, which could limit the Company' s ability to provide services. Additionally, many of the Company' s borrowers may suffer property damage, experience interruptions of their business or lose their jobs after such events. Those borrowers might not be able to repay their loans, and the collateral for such loans may decline significantly in value. Further, given the inter- connectivity of the global economy, pandemic disease and health events have the potential to negatively impact economic activities in many countries, including the United States, including the business of the Company' s borrowers. Additionally, global markets may be adversely affected by the emergence of widespread health emergencies or pandemics. Societal responses to climate change could adversely affect the Company' s business and performance, including indirectly through impacts on its customers. Concerns over the long- term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior as a result of these concerns. The Company and its customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. The Company and its customers may face cost increases, asset value reductions, operating process changes, and other issues. The impact on the Company' s customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts could be a drop in demand for the Company' s products and services, particularly in certain sectors. In addition, the Company could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. The Company takes these risks into account when making lending and other decisions, such as business with climate- friendly companies, which may not be effective in protecting from the negative impact of new laws and regulations or changes in consumer or business behavior. Risks Related to Card Networks Changes in card network fees could impact the Company' s operations. From time to time, the card networks increase the fees (known as interchange fees) that they charge to acquirers and that the Company charges its merchants. It is possible that competitive pressures will result in the Company absorbing a portion of such increases in the future, which would increase costs, reduce profit margin and adversely affect the Company' s business and financial condition. In addition, the card networks require certain capital requirements. An increase in the required capital level would further limit the Company' s use of capital for other purposes. Changes in card network rules or standards could adversely affect the

Company' s business. The Company is a member of the Visa and MasterCard networks. As such, the Company is subject to card network rules resulting in a variety of fines or penalties that may be assessed on the Company. The termination of membership or any changes in card network rules or standards, including interpretation and implementation of existing rules or standards, could increase the cost of operating the merchant services business or limit the ability to provide debit card and cash management solutions to or through customers, and could have a material adverse effect on the Company' s business, financial condition, and results of operations. **Other** Risks Related to the **Business** ~~COVID- 19 Pandemic~~ The ~~ongoing COVID- 19 pandemic~~ **Company' s stock price may be negatively impacted by unrelated bank failures** and ~~measures intended to prevent~~ **negative depositor confidence in depository institutions. Further, if the Company** ~~its~~ - **is unable** ~~spread could continue~~ to **adequately manage liquidity** ~~adversely affect the Company' s business activities~~ , **deposits** ~~financial condition~~ , **capital levels** and **interest rate risk** ~~results of operations and such effects will depend on future developments~~ , which ~~are highly uncertain and difficult to predict. Global health concerns relating to the COVID- 19 pandemic and related government actions taken to reduce the spread of the virus~~ have **come under greater scrutiny** ~~continued to affect the macroeconomic environment, both nationally and~~ in **light** ~~the Company' s existing geographic footprint. Federal and state agencies may pass measures to address the economic and social consequences~~ of **recent bank failures, it may** ~~the pandemic that could impact the Company' s financial results and~~ have ~~a destabilizing effect on financial markets, key market indices, and overall economic activity. Prolonged measures by public health or other governmental authorities encouraging or requiring significant restrictions on travel, assembly, or other core business practices would further harm the Company' s business and that of its customers, in particular small to medium- sized business customers. Although the Company has business continuity plans and other safeguards in place, there is no assurance that they will be effective. A decline in economic conditions generally and a prolonged negative impact on small to medium- sized businesses, in particular, due to the COVID- 19 pandemic could result in~~ a material adverse effect on the Company' s ~~business,~~ financial condition ~~,~~ and results of operations **. On March 8, 2023, Silvergate Capital Corporation, La Jolla, California, the holding company for Silvergate Bank, announced its decision to voluntarily liquidate the Bank** and ~~may heighten~~ **wind down operations. On March 10, 2023, Silicon Valley Bank, Santa Clara, California, and on May 1, 2023, First Republic Bank, San Francisco, California, were closed by the California Department of Financial Protection and Innovation. On March 12, 2023, Signature Bank, New York, New York, was closed by the New York State Department of Financial Services. These banks also had elevated levels of uninsured deposits, which** ~~many~~ - **may** ~~of~~ **be less likely to remain at** the **bank over time** ~~known risks described herein~~ and **less stable as a source of funding than insured deposits. These failures led to volatility and declines** in **the market for bank stocks and questions about depositor confidence in depository institutions. These events have led to a greater focus by institutions, investors and regulators on the on- balance sheet liquidity of and funding sources for financial institutions, the composition of its deposits, including the amount of uninsured deposits, the amount of accumulated** other ~~filings~~ **comprehensive loss, capital levels and interest rate risk management. If the Company is unable to adequately manage liquidity, deposits, capital levels and interest rate risk, it may have a material adverse effect on its financial condition and results of operations. Negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system. The high- profile bank failures in early 2023 have generated significant market volatility among publicly traded bank holding companies and, in particular, regional banks. These market developments have negatively impacted customer confidence in the safety and soundness of financial institutions. As a result, customers may choose to maintain deposits** with **larger financial institutions or invest in higher yielding short- term fixed income securities, all of which could materially adversely impact the Company' s liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC have made statements ensuring that depositors of** ~~the~~ **these** ~~SEC.~~ **recently failed banks would have access to** ~~Other~~ - **their** ~~Risks Related to~~ **deposits, including previously uninsured deposit accounts,** ~~the~~ **there** ~~Business Elimination of LIBOR~~ **is no guarantee that such actions will be successful in restoring customer confidence in regional banks** and ~~uncertainty of~~ **the banking system more broadly. The Company is a community bank and** its ~~replacement~~ **ability to maintain its reputation is critical to the success of the business. The failure to do so** may **materially** adversely affect the Company **' s performance. The Company is a community bank, and its reputation is one of the most valuable components of its business. A key component of the Company' s business strategy is to rely on its reputation for customer service and knowledge of local markets to expand its presence by capturing new business opportunities from existing and prospective customers in the Company' s market area and contiguous areas. Threats to the Company' s reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, cybersecurity incidents and questionable or fraudulent activities of the Company' s customers** . In ~~2017~~ **addition** , **third parties with whom** the ~~Alternative Reference Rates Committee (" ARRC ") was created to identify an alternative reference interest rate to replace LIBOR~~ **Company has relationships may take actions over which the Company has limited control that could negatively impact perceptions about the Company or the financial services industry** . The **proliferation** ~~ARRC announced Secured Overnight Financing Rate (" SOFR "), a broad measure~~ of **social media may increase** the **likelihood that negative information about the Company** ~~cost of borrowing cash overnight collateralized by Treasury securities~~ , ~~as~~ **whether or not the information** ~~its~~ - **is accurate** ~~preferred alternative to LIBOR. The Chief Executive of the United Kingdom Financial Conduct Authority~~ , **could impact the Company' s reputation and business. Negative publicity regarding the Company' s business, employees, or customers, with or without merit, may result in the loss of customers and employees, costly litigation and increased governmental regulation, all of** which **could** ~~regulates LIBOR, announced its intention to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after June 2023. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question. There are risks inherent with the~~

~~transition to any alternative rate as the rate may behave differently than LIBOR in reaction to monetary, market and economic events. The discontinuance of LIBOR may~~ adversely affect the ~~value of and return on the~~ Company' s **business** ~~financial assets~~ and **operating** ~~liabilities that are based on or are linked to LIBOR, the Company' s~~ results **. The Company' s funding sources may prove insufficient to replace deposits at maturity and support its future growth. A lack** of ~~operations or~~ **liquidity could adversely affect the** financial condition **and results of operations and result in regulatory limits being placed on the Company. The Company maintains sufficient funds to respond to the needs of depositors and borrowers. Deposits have traditionally been the Company' s primary source of funds for use in lending and investment activities. The Company also receives funds from loan repayments, investment maturities and income on other interest- earning assets. While the Company emphasizes the generation of low- cost deposits as a source of funding, there is strong competition for such deposits in the Company' s market area. Additionally, deposit balances can decrease if customers identify alternative investments opportunities. Accordingly, as a part of the Company' s liquidity management, the Company may use a number of funding sources in addition to deposits and repayments and maturities of loans and investments. As the Company continues to grow, it is likely to become more dependent on these sources, which may include FHLB advances, federal funds purchased and brokered certificates of deposit. Adverse operating results or changes in industry conditions could lead to difficulty or an inability to access these additional funding sources. The Company' s financial flexibility will be severely constrained if it is unable to maintain its access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Further, if the Company is required to rely more heavily on more expensive funding sources to support liquidity and future growth, the Company' s revenues may not increase proportionately to cover increased costs** . In ~~addition~~ **this case** , **operating margins and profitability would be adversely affected. Alternatively,** ~~these~~ -- **the** ~~reforms~~ **Company** may **need** ~~require changes~~ to ~~existing contracts that govern LIBOR based products~~ **sell a portion of its investment and / or loan portfolio to raise funds, which, depending upon market conditions, could result in realizing a loss. Any decline in available funding could adversely impact the Company' s ability to originate loans, invest in securities, pay expenses, or fulfill obligations such** as ~~well as~~ **repaying borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on liquidity, business, financial condition and results of operations. A lack of liquidity could also attract increased regulatory scrutiny and potential restraints imposed by regulators. Depending on** the ~~Company' s systems~~ **capitalization status and regulatory treatment of depository institutions, including whether** ~~and~~ - **an** ~~processes~~ **institution is subject to a supervisory prompt corrective action directive, certain additional regulatory restrictions and prohibitions may apply, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits** . FEDERAL AND STATE TAXATION Federal Taxation General. The Company and the Bank report their income on a calendar year basis using the accrual method of accounting, and are subject to Federal income taxation in the same manner as other corporations with some exceptions, including particularly the Bank' s reserve for bad debts. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Bank or the Company. The current applicable statutory tax rate is 21 %. Dividends Received Deduction and Other Matters. The Company may exclude from its income 100 % of dividends received from the Bank as a member of the same affiliated group of corporations. The corporate dividends received deduction is generally 50 % in the case of dividends received from unaffiliated corporations with which the Company and the Bank will not file a consolidated tax return, except that if the Company or the Bank own more than 20 % of the stock of a corporation distributing a dividend then 65 % of any dividends received may be deducted. Inflation Reduction Act of 2022. The Inflation Reduction Act ~~was signed into law by President Biden on August 16, 2022 which, amongst other things, implements~~ **implemented** a new alternative minimum tax of 15 % on corporations with profits in excess of $ 1 billion, a 1 % excise tax on stock repurchases, and several tax incentives to promote clean energy and climate initiatives. These provisions ~~are~~ **were** effective beginning January 1, 2023. **This legislation has** ~~Based on its analysis of the provisions, the Company does~~ not **had** ~~expect this legislation to have~~ a material impact on ~~its~~ **the Company' s** consolidated financial statements. State and Local Taxation New Jersey Taxation. The Company files New Jersey income tax returns. For this purpose, taxable income generally means Federal taxable income, excluding some entities not included in the unitary filing and other adjustments (including addition of interest income on state and municipal obligations). The Company is required to file a New Jersey income tax return because it does business in New Jersey. For New Jersey tax purposes, regular corporations are presently taxed at a rate equal to 9 % of taxable income. New Jersey also ~~imposes~~ **imposed** a temporary surtax of 2. 5 % which ~~is~~ **was** effective through December 31, 2023. For 2019 and prospectively, New Jersey law requires combined filing for members of an affiliated group, but excludes companies that qualify as a New Jersey Investment Company **(" ICs ")** and Real Estate Investment ~~Companies~~ **Trusts (" REITs ")** . The allocation and apportionment of taxable income to New Jersey may affect the overall tax rate **. During 2023, the New Jersey Division of Taxation enacted certain tax reform legislation. Most notably to the Company, for periods ending on and after July 31, 2023, companies meeting the statutory definition of " captive " ICs and REITs are required to be included in the combined filing. This legislation included an exception if at least 50 % of the shares, by vote or value, are owned or controlled, directly or indirectly, by a state or federally chartered bank, savings bank, or savings and loan association (financial institution) with assets of $ 15 billion or less. As of December 31, 2023 the Company qualified for this exception** . New York Taxation. The Company is required to file New York State ~~, MTA,~~ **(" NYS ")** and New York City **(" NYC ")** tax returns. The **NYS** ~~New York State~~ and **NYC** ~~New York City~~ returns require consolidation of all entities, including OceanFirst Realty, and taxable income, consistent with other states, generally means Federal taxable income subject to certain adjustments. **For NYS tax purposes, corporations are presently taxed at a rate equal to 7. 25 % of taxable income, in addition to a temporary Metropolitan Transportation Authority surtax of 30 % of the NYS tax rate, which is effective through December 31, 2026, for an overall NYS rate of 9. 425 %. For NYC tax purposes, the Company is taxed at a rate equal to 8. 85 %.** The allocation and apportionment of taxable income to **NYS** ~~New York State~~ and **NYC** ~~New York City~~ may affect the overall tax rate. Pennsylvania Taxation. The Bank is required to file a Pennsylvania bank shares tax return. The Bank' s net assets, less allowable deductions, are taxed at a rate presently equal to 0. 95 % of apportioned net assets. The allocation and apportionment to Pennsylvania may affect the overall tax rate. Delaware Taxation. As a Delaware holding company not earning income in Delaware, the Company is exempted from Delaware corporate income tax but is required to file an annual report with and pay an annual franchise tax to the State of Delaware.