Risk Factors Comparison 2024-04-01 to 2023-03-31 Form: 10-K

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In addition to the other information contained in this report, including the information contained in “ Cautionary Statement Regarding Forward- Looking Statements, ” investors in the Company’ s securities should carefully consider the factors discussed below. An investment in the Company’ s securities involves risks. The factors below, among others, could materially and adversely affect the Company’ s business, financial condition, results of operations, liquidity **,** or capital position, or cause the Company’ s results to differ materially from its historical results or the results expressed or implied in the forward- looking statements contained in this report, in which case the trading price of the Company’ s common stock could decline. The risk factors discussed below highlight the risks that the Company believes are material to the Company, but do not necessarily include all risk that an investor may face, and investors should not interpret the disclosure of a risk to state or imply that the risk has not already materialized. ~~IndexRisk~~ **Risk** Factors Related to our Lending Activities and Economic Conditions Weaknesses in economic or market conditions **, or adverse developments in the financial services industry,** could pose challenges for the Company and could adversely affect the results of operations, liquidity **,** and financial condition. Deterioration in, or uncertain, economic conditions could adversely affect the Company’ s business which is directly affected by general economic and market conditions; broad trends in industry and finance; legislative and regulatory changes; changes in governmental monetary and fiscal policies; and inflation, all of which are beyond the Company’ s control. Prolonged periods of inflation may impact profitability by negatively impacting fixed costs and expenses, including increasing funding costs and expense related to talent acquisition and retention, and negatively impacting the demand for products and services. Additionally, inflation may lead to a decrease in consumer and commercial purchasing power and increase default rates on loans. A deterioration in economic conditions, in particular a prolonged economic slowdown within the Company’ s geographic region or a broader disruption in the economy, possibly as a result of a pandemic or other widespread public health emergency, acts of terrorism, or outbreak of domestic or international hostilities (including the ongoing war between Russia and Ukraine **or in the Middle East**), **or** unanticipated ~~financial~~ events **in the banking industry,** such as **high- profile** ~~the closure of Silicon Valley Bank~~ **bank failures in 2023** ~~by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver, the closure of Signature Bank by the New York State Department of Financial Services, which also appointed the FDIC as receiver and the winding down and voluntary liquidation of Silvergate Capital Corp.~~ , could result in the following consequences, any of which could hurt business materially: declines in real estate values and home sales and increases in the financial stress on borrowers and unemployment rates, all of which could lead to increases in loan delinquencies, problem assets and foreclosures, and a deterioration in the value of collateral for loans made by our various business segments; an increase in the level of loan losses exceeding the level the Company has provided in its allowance for loans losses, which would reduce the Company’ s earnings; a decline in demand for our products and services; ~~;~~ changes in the fair value of financial instruments held by the Company or its subsidiaries; or declines in available sources or amounts of liquidity and funding. **Events in the financial services industry, such as the high- profile bank failures in 2023, may also cause concern and uncertainty about the financial services industry generally, which may result in sudden deposit outflows, increased borrowing and funding costs, and increased competition for liquidity, any of which could have a material adverse impact on the Company’ s business, financial condition, and results of operations.** Weaknesses in the commercial real estate markets could negatively affect the Company ~~’~~ **'** s financial performance **and results of operations** due to the Company ~~’~~ **'** s concentration in commercial real estate loans. At December 31, ~~2022~~ **2023** , the Company had $ **578. 1 million, or** ~~534~~ - **53** . 5 ~~million, or 52. 0~~ %, of total loans concentrated in commercial real estate, which includes, for purposes of this concentration, all construction loans, loans secured by multifamily residential properties, loans secured by farmland and loans secured by nonfarm, nonresidential properties. Commercial real estate loans ~~expose~~ **are generally viewed as exposing** the Company to a greater risk of loss than residential real estate and consumer loans. Commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate and consumer loans. Consequently, an adverse development with respect to one **or a few** commercial real estate loan or credit ~~relationship~~ **relationships could** ~~exposes~~ **expose** the Company to a significantly greater risk of loss compared to an adverse development with respect to one **or a few** residential real estate ~~loan~~ **loans** . Commercial real estate loans carry risks associated with the successful operation of a business if the properties are owner occupied. If the properties are non- owner occupied, the repayment of these loans may be dependent upon the profitability and cash flow from rent receipts. Repayment of commercial real estate loans may, to a greater extent than residential real estate loans, be subject to adverse conditions in the real estate market or economy. Weak economic or market conditions may impair a borrower ~~’~~ **'** s business operations, slow the execution of new leases and lead to turnover in existing leases. The combination of these factors could result in deterioration in value of some of the Company ~~’~~ **'** s loans. The deterioration of one or more of the Company ~~’~~ **'** s significant commercial real estate loans could cause a significant increase in nonaccrual loans. An increase in nonaccrual loans could result in a loss of interest income from those loans, an increase in the provision for loan losses, and an increase in loan charge- offs, all of which could have a material adverse effect on the Company ~~’~~ **'** s financial performance. **IndexThe federal bank regulatory agencies have recently expressed concerns about weaknesses in the current commercial real estate market. Banking regulators generally give commercial real estate lending greater scrutiny and may require banks with higher levels of commercial real estate loans to implement enhanced risk management practices, including stricter underwriting, internal controls, risk management policies, more granular reporting, and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real**

estate lending growth and exposures. If the Company’ s banking regulators determine that the Company’ s commercial real estate lending activities are particularly risky and are subject to such heightened scrutiny, the Company may incur significant additional costs or be required to restrict certain of our commercial real estate lending activities. Additionally, failures in the Company’ s risk management policies, procedures and controls could adversely affect its ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which could have a material adverse effect on the Company’ s business, financial condition, and results of operations. The Company ~~’~~**'** s profitability depends significantly on local economic conditions and changes in the federal government ~~’~~**'** s military or defense spending may negatively affect the local economy **, which could adversely affect the Company’ s results of operations and financial condition** . The Company ~~’~~**'** s success depends primarily on the general economic conditions of the markets in which the Company operates. Unlike larger financial institutions that are more geographically diversified, the Company provides banking and financial services to customers primarily in the Hampton Roads MSA. The local economic conditions in this area have a significant impact on the demand for loans, the ability of the borrowers to repay these loans and the value of the collateral securing these loans. A significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond the Company ~~’~~**'** s control could impact these local economic conditions. In addition, Hampton Roads is home to one of the largest military installations in the world and one of the largest concentrations of Department of Defense personnel in the United States. Some of the Company ~~’~~**'** s customers may be particularly sensitive to the level of federal government spending on the military or on defense- related products **or to a protracted U. S. government shutdown** . Federal spending is affected by numerous factors, including macroeconomic conditions, presidential administration priorities, and the ability of the federal government to enact relevant appropriations bills and other legislation. Any of these factors could result in future cuts to military or defense spending or increased uncertainty about federal spending, which could have a severe negative impact on individuals and businesses in the Company ~~’~~**'** s primary service area. Any **adverse developments in the Company’ s primary service area, such as** related increase in unemployment rates or reduction in business development activities **,** ~~in the Company’ s primary service area~~ could lead to reductions in loan demand, **a reduction in the number of credit- worthy borrowers seeking loans,** increases in loan delinquencies, problem assets and foreclosures **, a decline in the financial condition of borrowers and guarantors,** and reductions in loan collateral value, **any of** which could have a material adverse effect on the Company ~~’~~**'** s operating results and financial condition. ~~IndexThe~~ **The** Company also invests in the debt securities of corporate issuers, primarily financial institutions, that the Company views as having a strong financial position and earnings potential. However, a deterioration in economic or other conditions in the localities in which these institutions do business in could adversely affect their financial condition and results of operations, and therefore adversely affect the value of our investment. Declines in loans outstanding could have a material adverse impact on the Company ~~’~~**'** s operating results and financial condition. Growing and diversifying the loan portfolio is part of the Company ~~’~~**'** s strategic initiative. If quality loan demand does not continue to increase and the Company ~~’~~**'** s loan portfolio begins to decline, the Company expects that excess liquidity will be invested in marketable securities. Because loans typically yield higher returns than the Company ~~’~~**'** s securities portfolio, a shift towards investments in the Company ~~’~~**'** s asset mix would likely result in an overall reduction in net interest income and ~~the~~ net interest margin. The principal source of earnings for the Company is net interest income, and ~~as discussed above,~~ the Company ~~’~~**'** s net interest margin is a major determinant of the Company ~~’~~**'** s profitability. The effects of a reduction in net interest income and ~~the~~ net interest margin may be exacerbated by the intense competition for quality loans in the Company ~~’~~**'** s primary service area and by rate reductions on loans currently held in the portfolio. As a result, a reduction in loans could have a material adverse effect on the Company ~~’~~**'** s operating results and financial condition. The small- to- medium size businesses the Company targets may have fewer financial resources to weather a downturn in the economy, which could materially harm operating results. The Company targets individual and small- to- medium size business customers. Small- to- medium size businesses frequently have smaller market shares than their competitors, may **have fewer financial resources in terms of capital or borrowing capacity than larger entities, may** be more vulnerable to economic downturns or periods of significant inflation, often need substantial additional capital to expand and compete and may experience significant volatility in operating results. Any one or more of these factors may impair a borrower ~~’~~**'** s ability to repay a loan. In addition, the success of a small- to- medium size business often depends on the management talents and efforts of one person or a small group of persons, and the death, disability **,** or resignation of one or more of these persons could have a material adverse impact on the business and its ability to repay a loan **. The Company also made some of these loans in recent years, and the borrowers may not have experienced a complete business or economic cycle** . Economic downturns and other events that negatively impact businesses in the Company ~~’~~**'** s primary service area could have a proportionately greater impact on small- to- medium- size businesses and accordingly could cause the Company to incur substantial credit losses that could negatively affect its results of operations and financial condition. ~~The~~ **IndexThe** allowance for ~~loan~~ **credit** losses **(ACL)** may not be adequate to cover actual losses **, which could adversely affect our results of operations, business, and financial condition** . ~~A~~ **The Company’ s success depends** ~~significant~~ **significantly on** ~~source of risk arises from the possibility that losses could be sustained because borrowers, guarantors, and related parties may fail to perform in accordance with the terms of their~~ -- **the quality of our assets, particularly** loans ~~and leases. There is no precise method to predict loan losses~~ . Like all financial institutions, the Company **is exposed to the risk that borrowers, guarantors, and related parties may fail to perform in accordance with the terms of their loans and leases and that the collateral securing the payment of loans may be insufficient to fully compensate the Company for the outstanding balance of the loan plus the costs to dispose of the collateral. The Company attempts to** ~~maintains~~ -- **maintain** an **appropriate** allowance for ~~loan~~ **credit** losses ~~(ALL)~~ to provide for **losses in our** loan **portfolio** ~~defaults and non- performance~~ . **The process** ~~Accounting measurements related~~ to **determine** ~~impairment and~~ the allowance for ~~loan~~ **credit** losses **uses models and**

assumptions that require ~~significant estimates~~ **difficult and complex judgments** that are **often interrelated. Because any estimate of credit losses is necessarily** ~~subject~~ **subjective** ~~to uncertainty~~ **and the accuracy of any estimate depends on the outcome of future events that are not within our control, we face the risk that charge- offs in future periods will exceed our allowance for credits losses and that additional provision for credit losses will be required, which would have** ~~and~~ **an** ~~changes relating to new information and changing circumstances~~ **adverse effect on the Company' s net income** . The allowance for ~~loan~~ **credit** losses ~~may~~ **is our best estimate of expected credit losses; however, there is** ~~not~~ **no guarantee that it will** be ~~adequate~~ **sufficient** to **address credit** ~~cover actual loan~~ losses **, particularly if the economic outlook deteriorates significantly and quickly** . In **such** ~~addition, future provisions for loan losses could materially and~~ **an event** ~~adversely affect~~ , ~~and have in recent years materially and adversely affected,~~ the Company **may increase its** ~~' s operating results. The~~ allowance for ~~loan~~ **credit** losses **, which would reduce** ~~is~~ **its earnings. Additionally** ~~determined by analyzing historical loan losses~~ , **to the extent that economic conditions worsen** ~~current trends in delinquencies and charge- offs~~ , ~~plans~~ **impacting our consumer and commercial borrowers** ~~for~~ **or underlying collateral** ~~problem loan resolutions~~ , ~~changes in the size~~ and **credit** ~~composition of the loan portfolio and industry information. Also included in management' s estimates for loan~~ losses are ~~considerations with respect to the impact of~~ **worse than expected, as may be caused by inflation, an** economic ~~events that management believes~~ **recession or otherwise, we** may ~~cause future~~ **increase our provision for credit** losses ~~to deviate from historical experience~~ , ~~the outcome of~~ which ~~are uncertain~~ **could have an adverse effect on our business, financial condition, and results of operations** . The ~~determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and judgment. The amount of future losses is susceptible to changes in economic and other conditions, including changes in interest rates, that may be beyond the~~ Company' s **banking** ~~control and these future losses may exceed current estimates. If management' s assumptions prove to be incorrect or if the Company experiences significant loan losses in future periods, the current level of the allowance for loan losses may not be adequate to cover actual loan losses and adjustments may be necessary. In addition, federal regulatory~~ **regulator** ~~agencies~~ , as ~~an integral~~ part of their examination process, **periodically** review the ~~Company' s loans and~~ allowance for ~~loan~~ **credit** losses and may require ~~an~~ **the Company to** increase **its** ~~in the~~ allowance **by recognizing additional provision** for ~~loan~~ **credit** losses **charged to expense,** or **to decrease the allowance by** ~~recognition~~ **recognizing** ~~of additional~~ loan charge- offs ~~, based~~ **. Any such required additional provisions for credit losses or charge- offs could have a material adverse effect** on ~~judgments different from those of management. While management believes that the Company' s allowance is adequate to cover current losses, the Company cannot assure investors that it will not need to increase the allowance or~~ **our financial condition** ~~that regulators will not require the allowance to be increased. Either of these occurrences could materially~~ and **results of operations** ~~adversely affect earnings and profitability~~ . On January 1, 2023, the Company adopted Accounting Standards Codification (ASC) Topic 326, " Financial Instruments — Credit Losses " (ASC 326), which replaces existing accounting principles for the recognition of loan losses based on losses that have been incurred with a requirement to record an allowance for credit losses that represents expected credit losses over the lifetime of all loans in the Company' s portfolio. Under ASC 326, the Company' s estimate of expected credit losses will be based on reasonable and supportable forecasts of future economic conditions and loan performance. While the adoption of ASC 326 ~~will~~ **does** not affect ultimate loan performance or cash flows of the Company from making loans, ~~the period in which expected credit losses affect net income of the Company may not be similar to the recognition of loan losses under current accounting guidance, and~~ recognizing an allowance based on expected credit losses may create more volatility in the level of the allowance for credit losses and the Company' s results of operations, including based on volatility in economic forecasts and expectations of loan performance in future periods, as actual results may differ materially from those estimates. If the Company is required to materially increase the level of allowance for credit losses for any reason, such increase could adversely affect the Company' s business, financial condition, and results of operations. ~~IndexRisk~~ **The Company is subject to physical and financial risks associated with climate change and other weather and natural disaster impacts. The Company is subject to the growing risk of climate change. Among the risks associated with climate change are more frequent severe weather events, such as hurricanes, tropical storms, tornados, winter storms, freezes, flooding, and other large- scale weather catastrophes. Such weather events in the Company' s markets subject us to significant risks and more frequent severe weather events magnify those risks. Large- scale weather catastrophes or other significant climate change effects that either damage or destroy residential or multifamily real estate underlying mortgage loans or real estate collateral, could decrease the value of our real estate collateral, or increase our delinquency rates in the affected areas and thus diminish the value of the Company' s loan portfolio. In addition, the effects of climate change may have a significant effect on the Company' s geographic markets and could disrupt our operations or the operations of our customers, third party service providers or supply chains more generally. Those disruptions could result in declines in economic conditions in the Company' s geographic markets or industries in which our borrowers operate and impact their ability to repay loans or maintain deposits. Climate change could also impact the Company' s assets or employees directly or lead to changes in customer preferences that could negatively affect our growth or business strategies. In addition, the SEC and federal banking regulators are increasingly focused on the physical and financial risks to financial institutions associated with climate change, which may result in increased requirements regarding the disclosure and management of climate risks and related lending activities, as well as increased compliance costs. Risk** Factors Related to our Industry The Company is subject to interest rate risk and variations in interest rates may negatively affect its financial condition and results of operations. The Company ~~'~~ **'** s profitability depends in substantial part on its net interest margin, which is the difference between the rates received on loans and investments and the rates paid for deposits and other sources of funds. The net interest margin depends on many factors that are partly or completely outside of the Company ~~'~~ **'** s control, including competition; federal economic, monetary **,** and fiscal policies; market interest rates; and economic conditions. Because of the differences in the maturities and repricing characteristics of interest- earning assets and interest- bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest- earning assets and interest paid on interest- bearing liabilities. To combat rising inflation, ~~since~~ the ~~beginning~~ **Federal Open Market Committee (FOMC)** of ~~2022,~~ the Federal Reserve ~~has very rapidly raised its benchmark~~ **increased the target range for the** federal funds ~~interest~~ rate **throughout** ~~, increasing 425 basis points during~~ 2022 **and 2023 to its current range of 5** . ~~Additionally, the Federal Reserve raised the federal funds benchmark rate by~~ 25 ~~basis points~~ **% to 5. 50 %. While the FOMC foreshadowed decreases to the target rates** in ~~February of 2023~~ **2024** ~~and an~~ **, it also noted that it will continue to assess** additional ~~25 basis points~~ **information and implications for monetary policy** in ~~March of 2023~~ **determining future actions with respect to target rates** . If market rates continue to rise ~~to combat inflation~~ **or remain elevated** ~~or~~ **for** ~~otherwise~~ **an extended period of time** , the Company may experience more competitive pressures to increase the rates paid on deposits, which may decrease net interest income, a change in the mix of noninterest and interest- bearing accounts, reduced demand for loans or increases in the rate of default on existing loans. In addition, the Company could experience net interest margin compression if it is unable to maintain the current level of loans outstanding by continuing to originate new loans in the current higher rate environment, or if it experiences a decrease in deposit balances, which would require the Company to seek funding from other sources at relatively higher rates of interest. It is possible that significant or unexpected changes in interest rates may take place in the future, and the Company may not be able to accurately predict the nature or magnitude of such changes or how such changes may affect business or results of operations. ~~The~~ **IndexThe** Company’ s investment portfolio consists of fixed income debt securities, classified as available for sale, whose market values fluctuate with changes in interest rates. Available for sale debt securities are carried at estimated fair value with the corresponding unrealized gains and losses recognized in other comprehensive income. Gains or losses are only recognized in net income upon the sale of the security. Additionally, under ASC 326 a loss is recognized for expected credit losses on available for sale debt securities or when the Company does not expect to recover its investment in a debt security, to the extent that the carrying amount of the security exceeds its market value. As a result of increases in market interest rates during 2022 **and 2023** , the market value of the Company’ s investment portfolio declined significantly. While the Company does not intend to sell any of its securities prior to maturity, the portfolio serves as a source of liquidity and consists of securities available for sale, which may be sold in response to changes in market interest rates, changes in prepayment risk, increases in loan demand, changes in deposit balances, general liquidity needs and other similar factors. If the Company sells any of its securities while in an unrealized loss position or determines that there is a credit loss with respect to any of the Company’ s securities, the loss or impairment charge would be recognized in net income ~~, which could have a material adverse effect on the Company’ s financial condition and results of operations. The process for determining whether impairment is other- than- temporary generally requires difficult, subjective judgments, including with respect to the issuer’ s future financial performance and any collateral underlying the security in order to evaluate the probability of receiving all payments on the security. Although the Company concluded that no other- than- temporary impairment existed in its securities portfolio at December 31, 2022 and no other- than- temporary impairment loss has been recognized in net income, changing economic and market conditions resulting in interest rate fluctuations, the financial conditions of the issuers of the securities and the performance of the underlying collateral, among other factors, may cause the Company to recognize impairment charges in the future~~ , which could have a material adverse effect on the Company’ s financial condition and results of operations. Additionally, while the regulatory capital of the Company or the Bank is currently not expected to be impacted by unrealized losses on securities, tangible common equity, a non- GAAP financial measure, is reduced for unrealized losses on securities, and regulatory capital would be reduced for any losses recognized in net income. The Company generally seeks to maintain a neutral position in terms of the volume of assets and liabilities that mature or re- price during any period so that it may reasonably maintain its net interest margin; however, interest rate fluctuations, loan prepayments, loan production, deposit flows, and competitive pressures are constantly changing and influence the ability to maintain a neutral position. Generally, the Company ~~’~~ **'** s earnings will be more sensitive to fluctuations in interest rates depending upon the variance in volume of assets and liabilities that mature and re- price in any period. The extent and duration of the sensitivity will depend on the cumulative variance over time, the velocity and direction of changes in interest rates, shape **,** and slope of the yield curve, and whether the Company is more asset sensitive or liability sensitive. Accordingly, the Company may not be successful in maintaining a neutral position and, as a result, the Company ~~’~~ **'** s net interest margin may be affected. ~~IndexThe~~ **The** Company relies substantially on deposits obtained from customers in our target markets to provide liquidity and support growth, and liquidity risk could harm the Company’ s ability to fund its operations, which could have a material adverse impact on the Company’ s financial condition. Liquidity is essential to the Company’ s business. While the Company relies on different sources to meet potential liquidity demands, the Bank’ s business strategies are primarily based on access to funding from local customer deposits. Deposit levels may be affected by **several** ~~a number of~~ factors, including interest rates paid by competitors, general interest rate levels, returns available to customers on alternative investments **, conditions in the financial services industry specifically** and general economic conditions that affect savings levels and the amount of liquidity in the economy, ~~including government stimulus efforts in response to economic crises~~ **as well as by factors that impact customers’ perception of the Company’ s financial condition and capital and liquidity levels** . If deposit levels fall, reliance on a relatively low- cost source of funding could be reduced and interest expense would likely increase as alternative funding is obtained to replace lost deposits. **Additionally, if a large number of the Bank’ s depositors or depositors with a high concentration of deposits sought to withdraw their deposits suddenly, the Bank could encounter difficulty meeting such a significant deposit outflow, which could negatively impact the Company’ s and the Bank’ s profitability, reputation, and liquidity. Significant unanticipated deposit outflows have occurred at other financial institutions, and may occur in the future, compounded by the advances in technology that increase the speed at which deposits can be moved from bank to bank or outside the banking system, as well as the speed and reach with which information, concerns and rumors can spread through media, in each case potentially exacerbating liquidity concerns. While the Company believes its funding sources are adequate to meet any significant unanticipated deposit**

withdrawal, the Company may not be able to manage the risk of deposit volatility effectively, which could have a material adverse effect on the Company' s liquidity, business, financial condition, and results of operations. If local customer deposits are not sufficient to fund normal operations and growth, the Company will look to outside sources, such as borrowings from the FHLB, which is a secured funding source. Ability to access borrowings from the FHLB will be dependent upon whether and the extent to which collateral is held or can be provided to secure FHLB borrowings. Other sources may be federal funds purchased and brokered deposits, although the use of brokered deposits may be limited or discouraged by our banking regulators. The Company may also seek to raise funds through the issuance of shares of common stock, or other equity or equity- related securities, or debt securities including subordinated notes as additional sources of liquidity. ~~The Company' s access to funding sources in amounts sufficient to support business operations and growth strategies or on acceptable terms to the Company could be impaired by factors that affect the Company specifically, or the financial services industry or economy generally, including, without limitation, adverse regulatory action against the Company, disruptions in the financial markets, deterioration in credit markets, and negative views and expectations about the prospects for the financial services industry (including due to the closure of Silicon Valley Bank by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver, the closure of Signature Bank by the New York State Department of Financial Services, which also appointed the FDIC as receiver and the winding down and voluntary liquidation of Silvergate Capital Corp.).~~ If the Company is unable to access funding sufficient to support business operations and growth strategies or is unable to access such funding on acceptable terms to the Company, this could have a substantial negative effect on the Company' s liquidity. ~~We~~ **The Company** may not be able to implement ~~our~~ **its** business strategies, originate loans, invest in securities, pay ~~our~~ **its** expenses, distribute dividends to ~~our~~ **its** stockholders, or fulfill ~~our~~ **its** debt obligations or deposit withdrawal demands. A lack of liquidity also could result in the Company being forced to sell securities in an unrealized loss position. All ~~of~~ these factors could have a material adverse impact on financial performance, financial condition **,** and results of operations. ~~The~~ **IndexThe** Company' s liquidity could be impaired by an inability to access short- term funding or the inability to monetize liquid assets. If significant volatility or disruptions occur in the wholesale funding or investment securities markets, the Company' s ability to access short- term liquidity could be materially impaired. In addition, other factors outside of the Company' s control could limit the Company' s ability to access short- term funding or to monetize liquid assets, including by selling investment securities at an attractive price or at all, such as operational issues that impact third parties in the funding or securities markets or unforeseen significant deposit outflows. The Company' s inability to access short- term funding or inability to monetize liquid assets could impair the Company' s ability to make new loans or meet existing lending commitments and could adversely impact the Company' s overall liquidity and regulatory capital. Consumers may increasingly decide not to use banks to complete their financial transactions, which could have a material adverse impact on the Company' s financial condition and operations. Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds, general- purpose reloadable prepaid cards, or in other types of assets, including crypto currencies or other digital assets. Consumers can also complete transactions such as paying bills or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as " disintermediation, " could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the loss of deposits as a lower cost source of funds could have a material adverse effect on our financial condition and results of operations. Competition from other financial institutions and financial intermediaries may adversely affect the Company' s future success, profitability, financial condition **,** and results of operations. The Company faces substantial competition in all ~~phases~~ **aspects** of its operations, including originating loans and attracting deposits, from a variety of competitors. Growth and success depend on the Company' s ability to compete effectively in this highly competitive financial services environment. The competition in originating loans and attracting deposits comes principally from other banks, mortgage banking companies, consumer finance companies, savings associations, credit unions, brokerage firms, insurance companies and other institutional lenders and purchasers of loans ~~,~~ and includes firms that attract customers primarily through digital and online products which may offer greater convenience to customers than traditional banking products and services. Many competitors offer products and services that are not offered by the Company, and many have substantially greater resources, name recognition and market presence that benefit them in attracting business. In addition, larger competitors may be able to price loans and deposits more aggressively and may have larger lending limits that would allow them to serve the credit needs of larger clients. Moreover, technological innovation continues to contribute to greater competition in financial services markets as technological advances enable more companies ~~, including financial technology start- ups,~~ to provide financial products and services traditionally provided by banks, such as ~~automatic~~ **real- time** transfer and ~~automatic~~ payment systems. Some of the financial services organizations with which the Company competes are not subject to the same degree of regulation as bank holding companies and federally insured national banks ~~,~~ and may have broader geographic service areas and lower cost structures. As a result, these competitors may have certain advantages over the Company in accessing funding and providing various services ~~. The financial services industry could become even more competitive as a result of legislative, regulatory and technology changes and continued consolidation~~ . Increased competition could require an increase of rates paid on deposits or lower the rates offered on loans, which could adversely affect the Company' s profitability. In addition, failure to compete effectively to attract new and retain current customers in the Company' s markets could cause it to lose market share, slow its growth rate and may have an adverse effect on its financial condition and results of operations. ~~IndexThe~~ **The** soundness of other financial institutions may adversely affect the Company. Financial services institutions are interrelated due to certain relationships, including trading, clearing and counterparty relationships. The Company has exposure to a variety of industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and institutional clients.

Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In the past, defaults by, or even speculation about, one or more financial services institutions or the financial services industry generally have led to market- wide liquidity problems, which could result in defaults and, as a result, impair the confidence of the Company’ s counterparties and ultimately affect the Company’ s ability to effect transactions. Additionally, confidence in the safety and soundness of regional and community banks specifically or the banking system generally could impact where customers choose to maintain deposits, which could materially adversely impact the Company’ s liquidity, loan funding capacity, ability to raise funds and results of operations. The Company could also be impacted by current or future negative perceptions about the prospects for the financial services industry, which could worsen over time and result in downward pressure on, and continued or accelerated volatility of, bank securities. Market risk affects the earnings of Wealth. The fee structure of Wealth is generally based upon the market value of accounts under administration. Most of these accounts are invested in equities of publicly traded companies and debt obligations of both government agencies and publicly traded companies. As such, fluctuations in the equity and debt markets in general have had a direct impact upon the earnings of Wealth. **IndexThe Bank is** ~~The Basel III Capital Rules require~~ **required to maintain** ~~higher levels of~~ capital ~~and liquidity~~ **to meet regulatory requirements** , ~~which~~ **and the Bank’ s failure to maintain sufficient capital** could adversely affect the Company ~~’~~ **'** s ~~net income~~ **financial condition, liquidity, results of operation** and ~~return on equity~~ **ability to maintain regulatory compliance** . The **Bank is** ~~Basel III Capital Rules require~~ **required** ~~bank holding companies and banks~~ to meet ~~capital adequacy guidelines, liquidity requirements and other~~ regulatory ~~requirements specifying minimum amounts and types of capital that must be maintained. The Basel III Capital Rules apply to the Bank but, because the Company qualifies under the Federal Reserve’ s Small Bank Holding Company Policy Statement, the Company is not subject to the Basel III Capital Rules. The capital adequacy standards applicable to the Bank impose stricter~~ capital requirements and **maintain sufficient liquidity** ~~leverage limits than the requirements to which the Bank was subject in the past. The standardized calculations of risk- weighted assets are complex and may create additional compliance burdens for the Company, if ultimately applied to the Company~~ . The Basel III Capital Rules apply higher risk weightings to many types of loans and securities. This may result in the Bank being forced to limit originations of certain types of commercial and mortgage loans, thereby reducing the amount of credit available to borrowers and limiting opportunities to earn interest income from the loan portfolio, which could have a detrimental impact on the Company ~~’~~ **'** s net income **. From time to time, regulators implement changes to these regulatory capital adequacy guidelines. Additionally, regulators may require the Bank to maintain higher levels of regulatory capital based on its condition, risk profile or conditions in the banking industry or economy. Because the Company qualifies under the Federal Reserve’ s Small Bank Holding Company Policy Statement, the Company is not subject to the Basel III Capital Rules. However, if the Basel III Capital Rules were applied to the Company in the future, this may create additional compliance burdens for the Company** . If the Company were to require additional capital, including to fund additional capital contributions to the Bank ~~, as a result of the Basel III Capital Rules~~ , it could be required to access the capital markets on short notice and in relatively weak economic conditions, which could result in raising capital that significantly dilutes existing stockholders. Additionally, the Company may be forced to limit banking operations and activities, and growth of loan portfolios and interest income, to focus on retention of earnings to improve capital levels. Higher capital levels may also lower the Company ~~’~~ **'** s return on equity **and result in regulatory actions if the Bank was unable to comply with such requirements. The Bank’ s failure to remain “ well capitalized ” for bank regulatory purposes could affect customer confidence, FDIC insurance costs and costs of funds, as well as the Company’ s and the Bank’ s ability to grow, business, financial condition, and results of operations. Under regulatory rules, if the Bank ceases to be a “ well capitalized ” institution for bank regulatory purposes, the interest rates it pays and its ability to accept brokered deposits may be restricted** . Risk Factors Related to our Operations and Technology The Company and its subsidiaries are subject to operational risk, which could adversely affect business, financial condition **,** and results of operation. The Company and its subsidiaries, like all businesses, are subject to operational risk, including the risk of loss resulting from human error, fraud **,** or unauthorized transactions due to inadequate or failed internal processes and systems, and external events that are wholly or partially beyond the Company ~~’~~ **'** s control (including, for example, sudden increases in customer transaction volume, electrical or telecommunications outages, natural disasters, and cyber- attacks). Operational risk also encompasses compliance (legal) risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices **,** or ethical standards. The Company and its subsidiaries have established a system of internal controls to address these risks, but there are inherent limitations to such risk management strategies as there may exist, or develop in the future, risks that are not anticipated, identified **,** or monitored. Any losses resulting from operational risk could take the form of explicit charges, increased operational costs, litigation costs, harm to reputation or forgone opportunities, loss of customer business, or the unauthorized release, misuse, loss **,** or destruction of proprietary information, any and all of which could have a material adverse effect on the Company ~~’~~ **'** s business, financial condition and results of operations. System failures, interruptions, breaches of security, or the failure of a third- party provider to perform its obligations could adversely impact the Company ~~’~~ **'** s business operations and financial condition. Communications and information systems are essential to the conduct of the Company ~~’~~ **'** s businesses, as such systems are used to manage customer relationships, general ledger, deposits **,** and loans **, as well as for other functions** . While the Company has established policies and procedures to prevent or limit the impact of systems failures, interruptions and security breaches, the Company ~~’~~ **'** s information, security, and other systems may stop operating properly or become disabled or damaged as a result of a number of factors, including events beyond the Company ~~’~~ **'** s control, such as sudden increases in customer transaction volume, electrical or telecommunications outages, natural disasters, and cyber- attacks. Information security risks have increased in recent years and hackers, activists and other external parties have become more technically sophisticated and well- resourced. These parties use a variety of methods to attempt to breach security systems and access the data of financial services institutions and their customers. ~~One such event occurred during September 2022, when in a cybersecurity incident an email account of the~~

~~Company was accessed by an unauthorized user, which may have compromised certain information about the Company and its customers.~~ The Company may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber- attacks. In addition, any compromise of the security systems could deter customers from using the Bank ~~’~~**'** s website and online banking service, both of which involve the transmission of confidential information. The security and authentication precautions imposed by the Company and the Bank may not protect the systems from compromises or breaches of security, which would adversely affect the Company ~~’~~**'** s results of operations and financial condition. ~~IndexIn~~ **In** addition, the Company **relies on third parties to provide key components of its business operations, such as data processing, recording, and monitoring transactions, online banking interfaces and services, internet connections and network access** outsources certain data processing to certain third- party providers. Accordingly, the Company ~~’~~**'** s operations are exposed to risk that these third- party providers will not perform in accordance with the contracted arrangements under service agreements. If the third- party providers encounter difficulties, or if the Company has difficulty in communicating with them, the Company ~~’~~**'** s ability to ~~adequately process~~ **deliver products** and ~~account for~~ **services to its** ~~customer~~ **customers** ~~transactions could be affected,~~ and **otherwise conduct its** ~~the Company’ s~~ business ~~operations~~ could be adversely ~~impacted~~ **affected, and the Company' s reputation may be harmed** . Further **, each of these third- party providers faces the risk of a cyber- attack, information breach or loss, or technology failure, and there is no assurance that they have not or will not experience a system or network breach** , a breach of a third- party provider ~~’~~**'** s technology may cause loss to the Company **' s customers. Any failure by a third- party provider to maintain performance, reliability and security of these systems could have a significant adverse effect on the Company** ’ s ~~customers~~ **financial condition or results of operations** . Replacing these third- party providers could also create significant delay and expense **, and the Company cannot provide any assurance that it could negotiate terms with alternative service sources that are as favorable or could obtain similar services as found in the Company’ s existing systems without expending substantial resources. Consequently, use of such third parties creates an unavoidable inherent risk to the Company’ s business operations** . Threats to information security also exist in the processing of customer information through various other vendors and their personnel. ~~The~~ **IndexThe** occurrence of any systems failure, interruption or breach of security, or the failure of a third- party provider to perform its obligations, could expose the Company to risks of data loss or data misuse, could result in violations of applicable privacy and other laws, could damage the Company ~~’~~**'** s reputation and result in a loss of customers and business, **or** could subject it to additional regulatory scrutiny **,** ~~or could expose it to~~ civil litigation, **or** possible financial liability and costly response measures. Any of these occurrences could have a material adverse effect on the Company ~~’~~**'** s financial condition and results of operations. The Company and its subsidiaries, including the Bank, and its and their employees and customers may in the future be the target of criminal cyberattacks; and we could be exposed to liability and remedial costs, and our reputation and business could suffer. ~~Like~~ **The Company’ s business relies on the secure processing, transmission, storage, and retrieval of confidential, proprietary, and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access our network, products and services, the Company’ s customers and third parties** ~~many~~ - **may** ~~major~~ **use personal mobile devices or computing devices that are outside of our network environment and are subject to their own cybersecurity risks. The Company, its customers, regulators and other third parties, including other** financial **services** institutions **and companies engaged in data processing** , ~~we~~ **have been subject to, and** are **likely** ~~, from time~~ to ~~time, a~~ **continue to be the** target of criminal cyber- attacks, phishing schemes and similar fraudulent activity and cyber incidents **. One such event occurred during September 2022** , **when in a cybersecurity incident** ~~and~~ - **an** ~~we~~ **email account of the Company was accessed by an authorized user, which may have compromised certain information about the Company and its customers. The Company** ~~expect~~ **expects** these threats to continue. As the numerous and evolving cybersecurity threats, including advanced and persistent cyber- attacks and schemes, utilized by cybercriminals in attempts to obtain unauthorized access to our systems or our customers’ accounts have become increasingly more complex and sophisticated and may be difficult to detect for periods of time, we ~~may~~ – like many other major financial institutions – **may** not **be able to** anticipate, safeguard against, or respond to, these acts adequately. As these threats continue to evolve and increase, we – like many other major financial institutions – may be required to devote significant additional resources in order to modify and enhance our security controls and to identify and remediate any security vulnerabilities. **The Company and the Bank also face indirect technology, cybersecurity and operational risks relating to the customers, clients and other third parties with whom the Company and the Bank do business or upon whom the Company and the Bank rely to facilitate or enable business activities, including, for example, financial counterparties, regulators, providers of critical infrastructure such as internet access, and software providers. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber- attack or other information or security breach that significantly degrades, deletes, or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including the Company and the Bank. This consolidation, interconnectivity and complexity increases the risk of operational failure, on both individual and industry- wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third- party technology failure, cyber- attack or other information or security breach, termination or constraint could, among other things, adversely affect the Company and the Bank’ s ability to effect transactions, service their clients, manage their exposure to risk or expand their business.** Though it is difficult to determine what, if any, harm may directly result from any specific cyber incident or cyber- attack, any failure to maintain the security of, or any actual or perceived loss or unauthorized disclosure or use of, customer or account information ~~likely~~ may ~~lead to~~ **result in a material loss** ~~our~~ - **or have material consequences. The public perception that a cyber- attack on the Bank’ s systems have been successful, whether or not this perception is correct, may damage the Bank’ s reputation with** customers ~~losing wealth~~ and ~~confidence in~~ **third parties with whom the Bank does business. Actual or perceived loss or unauthorized disclosure or** ~~us~~ **use of personal**

information and identify theft risks, in particular could cause serious reputational harm . Damage to our reputation could adversely affect deposits and loans and otherwise negatively affect the Company’ s business, financial condition **,** and results of operations. In addition, it is possible that a cyber incident and any material fraudulent activity, cyber- attacks, breaches of our information security or successful penetration or circumvention of our system security may cause us significant negative consequences, including loss of Bank customers and financial assets and business opportunities, disruption to our operations and business, or misappropriation of our and / or our customers’ confidential information, and may expose us to additional regulatory scrutiny or may result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, devotion of substantial management time **, costs associated with customer notification and credit monitoring services** , increased costs to maintain insurance coverage (including increased deposit insurance premiums), or additional compliance costs, all of which could adversely impact our business, financial condition, liquidity and results of operations. ~~The~~ **IndexThe** Company ~~’~~**'** s accounting estimates and risk management processes rely on analytical and forecasting models. Processes that management uses to measure the **allowance for credit losses,** fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on the Company ~~’~~**'** s earnings performance and liquidity, depend upon the use of analytical and forecasting models. These models ~~reflect~~ **include** assumptions **about future credit losses, discount rates, future interest rates and economic conditions,** that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation **. If the model that management uses for the calculation of the allowance for credit losses is inadequate, the Company may not be able to accurately predict the timing and extent of expected credit losses and record an accurate allowance for these credit losses** . If the models that management uses for interest rate risk and asset- liability management are inadequate, the Company may incur increased or unexpected losses upon changes in market interest rates or other market measures and may be unable to maintain sufficient liquidity. If the models that management uses 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 the Company could realize upon sale or settlement of such financial instruments. Any such failure in management ~~’~~**'** s analytical or forecasting models could have a material adverse effect on the Company ~~’~~**'** s business, financial condition **,** and results of operations. ~~IndexThe~~ **The** Company is dependent on key personnel and the loss of one or more of those key personnel could harm its business. The banking business in Virginia, and in the Company ~~’~~**'** s primary service area in the Hampton Roads MSA, is highly competitive and dominated by a relatively small number of large banks. Competition for qualified employees and personnel in the banking industry is intense and there are a limited number of qualified persons with knowledge of and experience in the Virginia community banking industry, which could increase labor costs. In addition, the Company’ s ability to attract and retain employees could be impacted by changing workforce concerns, expectations, practices **,** and preferences, including remote and hybrid work preferences ~~brought on by the COVID- 19 pandemic~~ , ~~and~~ labor shortages **and competition for labor, which could increase labor costs** . The Company ~~’~~**'** s success depends to a significant degree upon its ability to attract and retain qualified management, loan origination, administrative, marketing **,** and technical personnel and upon the continued contributions of and customer relationships developed by management and other key personnel. In particular, the Company ~~’ s~~ **believes that its** success is highly dependent upon the capabilities of its senior executive management. The Company believes that its management team, comprised of individuals who have worked in the banking industry for many years, is integral to implementing the Company ~~’~~**'** s business plan. The loss of any of the Company’ s senior executive management could **disrupt the Company’ s operations and** have a material adverse effect on the Company’ s ability to build on the efforts they have undertaken, and the Company may not be able to find adequate replacements. **Most recently, the Company hired a new Chief Financial Officer in October 2023. Management transitions may create uncertainty and involve a diversion of resources and management attention, be disruptive to the Company’ s daily operations or impact public or market perception, any of which could negatively impact our ability to operate effectively or execute our strategies and result in a material adverse impact on the Company’ s business, financial condition, results of operations or cash flows.** The Company has ~~not~~ entered into employment agreements with ~~any~~ **certain members** of ~~its~~ executive management ~~employees~~ , and the loss of the services of one or more of them could harm the Company ~~’~~**'** s business. The Company may not be able to compete effectively without the appropriate use of current technology. The use of technology in the financial services market, including the banking industry, evolves frequently. The Company may be unable to attract and maintain banking relationships with certain customers if it does not offer appropriate technology- driven products and services. In addition to better serving customers, the effective use of technology may increase efficiency and reduce costs. Developing or acquiring access to new technologies and incorporating those technologies into the Company’ s products and services ~~,~~ or using them to expand the Company’ s products and services, may require significant investments, may take considerable time to complete, and ultimately may not be successful. The Company may not be able to effectively implement new technology- driven products or services or be successful in marketing these products and services to its customers. As a result, the Company ~~’~~**'** s ability to compete effectively may be impaired, which could lead to a material adverse effect on the Company ~~’~~**'** s financial condition and results of operations ~~,~~ and could lead to the incurrence of additional expense **. Additionally, any future implementation of technological changes and upgrades to maintain current systems may cause operational and customer challenges upon implementation and for some time afterwards. Key challenges include service interruptions, transaction processing errors and system conversion delays, which may cause the Company to lose customers or fail to comply with applicable laws, and may cause the incurrence of additional expenses, any of which could have a material adverse effect on the Company’ s business, financial condition, results of operations and prospects** . Risks Related to the Regulation of the Company The Company may be adversely affected by changes in government monetary policy. As a bank holding company, the Company ~~’~~**'** s business is affected by the monetary policies established by the FRB, which regulates the national money supply in order to mitigate recessionary and inflationary pressures. **The policies directly and indirectly influence** ~~In setting its policy, the FRB may utilize techniques such as the following: (i) engaging in open market transactions in U. S. Government securities; (ii) setting~~ the rate **of interest earned** on ~~member bank~~ **loans and paid on** borrowings ~~;~~ and ~~(iii) determining reserve requirements~~ **interest- bearing deposits and can also affect the value of financial instruments held by the Company** . These ~~techniques~~ **policies** determine, to a significant extent, the Company ~~'~~ **'** s cost of funds for lending and investing **, and can also affect the Company' s borrowers. Changes in these policies are beyond the Company' s controls and are difficult to predict** . These **policies** ~~techniques, all of which are outside the Company' s control,~~ may have an adverse effect on deposit levels, net interest margin, loan demand or the Company ~~'~~ **'** s business and operations. ~~The~~ **IndexThe** Company and its subsidiaries are subject to extensive regulation which could adversely affect them. The Company is subject to extensive regulation by federal, state **,** and local governmental authorities and is subject to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of its operations ~~, including those referenced above~~ . Regulations adopted by these agencies, which are generally intended to protect depositors and customers rather than to benefit stockholders, govern a comprehensive range of matters including, without limitation, ownership and control of the Company ~~'~~ **'** s shares, acquisition of other companies and businesses, permissible activities that the Company and its subsidiaries may engage in, maintenance of adequate capital levels and other aspects of operations **. See " Regulation and Supervision " included in Item 1. Business, of this Annual Report on Form 10- K for a more detailed description of certain regulatory requirements applicable to the Company and the Bank** . These regulations are costly to comply with and could limit the Company ~~'~~ **'** s growth by restricting certain of its activities. **Failure to comply with these laws, rules and regulations could result in financial, structural, and operational penalties, including receivership.** The laws, rules **,** and regulations applicable to the Company **could change at any time. The extent and timing of any regulatory reform as well as any effect on the Company' s business and financial results,** are **uncertain** ~~subject to regular modification and change~~ . Regulatory changes could subject the Company to more demanding regulatory compliance requirements, which could affect the Company in unpredictable and adverse ways. Such changes could subject the Company to additional costs, limit the types of financial services and products it may offer and / or increase the ability of non- banks to offer competing financial services and products, among other things. Legislation or regulation may also impose unexpected or unintended consequences, the impact of which is difficult to predict. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and / or damage to the Company ~~'~~ **'** s reputation, which could have a material adverse effect on the Company ~~'~~ **'** s business, financial condition **,** and results of operations. ~~Legislation and regulatory initiatives containing wide- ranging proposals for altering the structure, regulation and competitive relationship of financial institutions are introduced regularly.~~ The ~~extent and timing of any regulatory reforms, as well as any effects on the Company' s business and results of operations, are uncertain. IndexThe~~ CFPB may increase our regulatory compliance burden and could affect the consumer financial products and services that the Company offers. The CFPB significantly influences consumer financial laws, regulation and policy through rulemaking related to enforcement of the Dodd- Frank Act' s prohibitions against unfair, deceptive **,** and abusive consumer finance products or practices, which are directly affecting the business operations of financial institutions offering consumer financial products or services, including the Company. This agency' s broad rulemaking authority includes identifying practices or acts that are unfair, deceptive **,** or abusive in connection with any consumer financial transaction, financial product **,** or service **. In particular, the CFPB' s interpretation of the Dodd- Frank Act' s prohibitions against unfair, deceptive, and abusive consumer finance products or practices and the application of those prohibitions to so- called " junk fees " may ultimately affect products or services currently offered by the Company and its subsidiaries and may affect the amount of revenue that may be derived from these products and services in the future, especially revenue from overdraft products offered by the Bank** . Although the CFPB has jurisdiction over banks with $ 10 billion or greater in assets, rules, regulations **,** and policies issued by the CFPB may also apply to the Company or its subsidiaries by virtue of the adoption of such policies and practices by the Federal Reserve and the FDIC. Further, the CFPB may include its own examiners in regulatory examinations by the Company' s primary regulators. The limitations and restrictions imposed by the CFPB may produce significant, material effects on our business, financial condition **,** and results of operations. Increased scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to environmental, social and governance (ESG) practices may impose additional costs on the Company or expose it to new or additional risks. As a regulated financial institution and a publicly traded company, the Company is facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to ESG practices and disclosure. Investor advocacy groups, investment funds, influential investors, and regulators are increasingly focused on these practices, especially as they relate to climate risk, hiring practices, the diversity of the work force, and racial and social justice issues. **Views about ESG are diverse, dynamic, and rapidly changing.** Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact the Company' s reputation, ability to ~~do business with~~ **attract and retain** certain ~~partners~~ **customers and employees** , and stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanded mandatory and voluntary reporting, diligence, and disclosure. ESG ~~–~~ related costs, including with respect to compliance with any additional regulatory or disclosure requirements or expectations, could adversely impact our results of operations. Failure to comply with the USA Patriot Act, OFAC, the Bank Secrecy Act and related FinCEN guidelines and related regulations could have a material impact on the Company. Bank regulatory agencies routinely examine financial institutions for compliance with the USA Patriot Act, OFAC, the Bank Secrecy Act and related FinCEN guidelines and related regulations. Failure to maintain and implement adequate programs as required by these obligations to combat terrorist financing, elder abuse, human trafficking, anti- money laundering and other suspicious activity and to fully comply with all of the relevant laws or regulations, could have serious legal, financial and reputational consequences for the Company. **For example,** ~~Such~~ **such** a failure could cause a bank regulatory agency not to approve a merger or acquisition transaction or to prohibit such a transaction even if formal approval is not required **to restrict the Company’ s ability to pay dividends or to require the Company to obtain regulatory approvals to proceed with certain aspects of its business** . In addition, such a failure could result in a regulatory authority imposing a formal enforcement action or civil money penalty for regulatory violations. **IndexCurrent and to- be- effective laws and regulations addressing consumer privacy and data use and security could increase our costs and failure to comply with such laws and regulations could impact our business, financial condition, and reputation. The Company is subject to a number of laws concerning consumer privacy and data use and security, including information safeguard rules under the Gramm- Leach- Bliley Act. These rules require that financial institutions develop, implement, and maintain a written, comprehensive information security program containing safeguards that are appropriate to the financial institution’ s size and complexity, the nature and scope of the financial institution’ s activities and the sensitivity of any customer information at issue. The United States has experienced a heightened legislative and regulatory focus on privacy and data security, including requiring consumer notification in the event of a data breach. In addition, most states have enacted security breach legislation requiring varying levels of consumer notification in the event of certain types of security breaches, and certain states, including Virginia, have enacted significant new consumer data privacy protections that can significantly limit a company’ s use of customer financial data and impose significant compliance burdens on companies that collect or use that data. Additional new regulations in these areas may increase compliance costs, which could negatively impact the Company’ s earnings. In addition, failure to comply with these privacy and data use and security laws and regulations, including by reason of inadvertent disclosure of confidential information, could result in fines, sanctions, penalties, or other adverse consequences and loss of consumer confidence, which could materially adversely affect the Company’ s business, results of operations, and reputation.** Risks Related to Our Common Stock The Company’ s common stock price may be volatile, which could result in losses to investors **. Stock price volatility may make it more difficult for stockholder to resell the Company’ s common stock when the stockholder wants and at prices the stockholder finds attractive** . The common stock price has been volatile in the past, and several factors could cause the price to fluctuate in the future. These factors include, but are not limited to, actual or anticipated variations in earnings, changes in analysts’ recommendations or projections with regard to the Company’ s common stock or the markets and businesses in which the Company operates, ~~operations and~~ stock performance of other companies deemed to be peers **, perceptions in the marketplace regarding the Company and / or its competitors** , and reports of trends and concerns and other issues related to the financial services industry. Fluctuations in our common stock price may be unrelated to the Company’ s performance. General market **fluctuations** ~~declines or market volatility in the future~~ , ~~especially~~ **including real or anticipated changes** in the ~~financial institutions sector~~ **strength of the local economy, industry factors and general economic and political conditions and events** , could adversely affect the price of our common stock, and the current market price may not be indicative of future market prices. **Additionally, in the past, securities class action lawsuits have been instituted against some companies following periods of volatility in the market price of its securities.** The Company **could in the future be the target of similar litigation, which could result in substantial costs and divert management** ’ **s attention and resources from normal business. The Company'** s substantial dependence on dividends from its subsidiaries may prevent it from paying dividends to its stockholders and adversely affect its business, results of operations or financial condition. The Company is a separate legal entity from its subsidiaries and does not have significant operations or revenues of its own. The Company substantially depends on dividends from its subsidiaries to pay dividends to stockholders and to pay its operating expenses. The availability of dividends from the subsidiaries is limited by various statutes and regulations. It is possible, depending upon the financial condition of the Company and other factors, that the Comptroller could assert that payment of dividends by the subsidiaries is an unsafe or unsound practice. In the event the subsidiaries are unable to pay dividends to the Company, the Company may not be able to pay dividends on the Company ~~’~~**'** s common stock, service debt or pay operating expenses. Consequently, the inability to receive dividends from the subsidiaries could adversely affect the Company ~~’~~**'** s financial condition, results of operations, cash flows and limit stockholders ~~’~~**'** return, if any, to capital appreciation. **Any declaration and payment of dividends on the Company’ s common stock will depend on the Company’ s earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, the Company’ s ability to service any equity or debt obligations senior to the common stock, and other facts deemed relevant by the Company’ s Board of Directors. Also, the Company has made, and will continue to make, capital management decisions and policies consistent with the Company’ s business plans, capital availability, projected liquidity needs and other factors, that could adversely impact the amount of dividends, if any, paid to our stockholders. Although the Company has historically paid cash dividends to holders of its common stock, holders of common stock are not entitled to receive dividends, and any** ~~Future~~ **future determination relating to our dividend policy will be made by the Company’ s Board of Directors and will depend on a number of factors. The trading volume of our common stock may not provide adequate volume for investors, and future** sales of the Company ~~’~~**'** s common stock by stockholders or the perception that those sales could occur may cause the common stock price to decline. Although the Company ~~’~~**'** s common stock is listed for trading on the NASDAQ stock market, the trading volume in the common stock may be lower than that of other larger financial institutions. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. Given these factors, a stockholder may have difficult selling shares of the Company’ s common stock at an attractive price (or at all). Additionally, stockholders may not be able to sell a substantial number of the Company’ s common stock shares for the same price at which stockholders could sell a smaller number of shares. Given the potential for lower relative trading volume in the common stock, significant sales of the common stock in the public market, or the perception that those sales may occur, could cause the trading price of the Company ~~’~~**'** s common stock to decline or to be lower than it otherwise might be in the absence of these sales or perceptions. IndexFuture issuances of the Company ~~’~~' s common stock could adversely affect the market price of the common stock and could be dilutive. The Company may issue additional shares of common stock or securities that are convertible into or exchangeable for, or that represent the right to receive, shares of the Company ~~’~~' s common stock. Issuances of a substantial number of shares of common stock, or the expectation that such issuances might occur, could materially adversely affect the market price of the common stock and could be dilutive to stockholders. Any decision the Company makes to issue common stock in the future will depend on market conditions and other factors, and the Company cannot predict or estimate the amount, timing, or nature of possible future issuances of common stock. Accordingly, holders of the Company ~~’~~' s common stock bear the risk that future issuances of securities will reduce the market price of the common stock and dilute their stock holdings in the Company ~~. Risk Factors Related to the COVID- 19 Pandemic The Company’ s results of operations and financial condition may be adversely affected by the COVID- 19 pandemic. The outbreak of the COVID- 19 pandemic, the widespread government response and the impact on consumers and businesses caused significant disruption in the United States and international economies and financial markets and had a significant impact on consumers and businesses in our market area and the operations and financial performance of the Company. Although conditions regarding the spread of the illness are improving, COVID- 19’ s ultimate impact on economic conditions and activity remains uncertain, and it is possible that new variants will emerge that could cause further outbreaks or more severe outbreaks in the future, resulting in additional lockdowns, economic disruptions, or other unknown impacts. Although the scope, duration and full effects of the pandemic are evolving and cannot be fully known at this time, consequences of the pandemic have included and may include further market volatility, interest rate fluctuations, disrupted trade and supply chains, increased unemployment, rising prices, inflation and reduced economic activity. Developments related to COVID- 19 and certain responses thereto have driven higher inflation in the United States during 2022 and early 2023, and ultimately, may contribute to the development of a disruptive period of high inflation in the United States and globally, while efforts to combat this inflation could result in an economic recession. The period of recovery from the negative economic effects of the pandemic cannot be predicted and may be protracted. As loan payment deferral programs and government stimulus or relief efforts, such as the Paycheck Protection Program (PPP), have largely ended, signs of credit deterioration that were masked or obscured may emerge, and the Company can give no assurance that loan performance or net charge- offs will continue at the levels experienced in 2022, 2021 and 2020. The extent to which the COVID- 19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration and severity of the COVID- 19 pandemic, the acceptance and continued effectiveness of vaccines and treatments for COVID- 19, the effects of the pandemic on our customers and vendors, and the short- and long- term health impacts of the pandemic. There can be no assurance that any efforts by the Company to address the adverse impacts of the COVID- 19 pandemic will be effective. Additionally, the Company may continue to experience adverse impacts to our business as a result of changes in the behavior of customers, businesses and their employees prompted or accelerated by the COVID- 19 pandemic. Furthermore, the financial condition of our customers and vendors may be adversely impacted, which may result in an elevated level of loan losses, a decrease in demand for products and services, or reduced availability of services provided by third parties on which we rely. Any of these events may, in turn, have a material adverse impact our business, results of operations and financial condition~~. General Risk Factors Negative public opinion could damage the Company ~~’~~' s reputation and adversely impact the Company ~~’~~' s business, financial condition **,** and results of operation. Reputation risk, or the risk to the Company ~~’~~' s business, financial condition **,** and results of operation from negative public opinion, is inherent in the financial services industry. Negative public opinion can result from actual or alleged conduct in any number of activities, including lending or foreclosure practices, regulatory compliance, corporate governance and sharing or inadequately protecting customer information, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion **once was driven primarily by adverse news coverage in traditional media, but the widespread use of social media platforms facilitates the rapid dissemination of information or misinformation, which may increase the risk of negative public opinion and potential harm to the Company’ s reputation. Negative public opinion** could adversely affect the Company ~~’~~' s ability to keep and attract customers and employees, could impair the confidence of counterparties and business parties, could expose it to litigation and regulatory action, and could adversely affect its access to the capital markets. Damage to the Company ~~’~~' s reputation could adversely affect deposits and loans and otherwise negatively affect the Company ~~’~~' s business, financial condition **,** and results of operation. The Company may need to raise additional capital in the future and such capital may not be available when needed or at all. The Company may need to raise additional capital in the future to provide it with sufficient capital resources and liquidity to meet its commitments and business needs, particularly if its asset quality or earnings were to deteriorate significantly. Economic conditions and the loss of confidence in financial institutions may increase the Company ~~’~~' s cost of funding and limit access to certain customary sources of capital, including inter- bank borrowings, repurchase agreements and borrowings from the Federal Reserve Bank ~~’~~' s discount window. The Company ~~’~~' s ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of the Company ~~’~~' s control, and the Company ~~’~~' s financial performance. ~~IndexThe~~ **The** Company cannot assure that such capital will be available on acceptable terms or at all. Any occurrence that may limit the Company ~~’~~' s access to the capital markets, such as a decline in the confidence of debt purchasers, depositors of the Bank or counterparties participating in the capital markets, or a downgrade of the parent company or the Bank ~~’~~' s ratings, may adversely affect the Company ~~’~~' s capital costs and its ability to raise capital and, in turn, its liquidity. Moreover, if the Company needs to raise capital in the future, it may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on the Company ~~’~~' s liquidity, business, financial condition **,** and results of operations. Natural disasters, severe weather events, acts of war or terrorism, pandemics or endemics, climate change and other external events could significantly impact our business. Natural disasters, including severe weather events of increasing strength and frequency due to climate change, acts of war (including the ~~war~~ **wars** in Ukraine **and in the Middle East**) or terrorism, pandemics ~~(including the COVID- 19 pandemic)~~ or endemics and other adverse external events could have a significant adverse impact on the business operations of the Company, third parties who perform operational services for the Company or its customers and the Company' s borrowers and customers. Such events could affect the stability of the Company' s deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in lost revenue **,** or cause the Company to incur additional expenses. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on the Company' s business, which, in turn, could have a material adverse effect on the Company' s financial condition and results of operations. ~~Item~~ **The Company or any of its subsidiaries may become party from time to time to various claims, lawsuits, and other actions, all of which are subject to many uncertainties such that expenses and ultimate exposure with respect to many of these matters cannot be ascertained. From time to time, the Company or any of its subsidiaries, directors and management are, or may become, the subject of various claims and legal actions by customers, employees, stockholders, and others. The Company' s insurance may not cover all claims that may be asserted against it in legal or administrative actions or costs that it may incur defending such actions, and any claims asserted against the Company, regardless of merit or eventual outcome may adversely affect the Company' s reputation. Any judgments or settlements in any pending litigation or future claims, litigation or investigation could have a material adverse effect on our business, reputation, financial condition, and results of operations. IndexItem** 1B. Unresolved Staff Comments