

## Risk Factors Comparison 2025-03-31 to 2024-03-28 Form: 10-K

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

An investment in common 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 other documents that we have filed with the Securities and Exchange Commission (the “SEC”), before making any purchase or sale decisions regarding the Company’s common stock. If any of the following risks actually occur, the Company’s financial condition or operating results may be ~~harmed~~ **adversely affected**. 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.

**Risks Related to Our Lending Activities** Our emphasis on commercial business, commercial real estate, real estate, construction and land development lending involves risks that could adversely affect our financial condition and results of operations. ~~We have a~~ **During the year ended December 31, 2024, we deemphasized enterprise value lending, and focus focused** on commercial business loans, while continuing to originate commercial real estate **lending, including multi-family lending, and construction and land- and development loans in-market commercial business lending**. As of December 31, ~~2023-2024~~, our commercial loan portfolio, which includes commercial real estate, ~~enterprise value, commercial business,~~ multi-family, construction and land development, **commercial business,** and digital asset **enterprise value** loans, totaled \$ 1. ~~17-06~~ billion, or ~~87-80~~ . 0 % of total loans. As a result, our credit risk profile may be higher than traditional savings institutions that have higher concentrations of one- to four- family residential loans. These types of commercial lending activities, while potentially more profitable than one- to four- family residential lending, are generally more sensitive to regional and local economic conditions. **Because payments on commercial real estate loans and multi- family loans typically often depend on the successful operation of the borrower’s business or the income stream of the real estate securing the loan as collateral, making loss- repayment of such loans may be affected by factors outside the borrower’s control, such as adverse conditions in the real estate market or in the economy, changes in government regulations or changes in the levels- level of interest rates more difficult to predict.** These loans also generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, any charge- offs may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. Collateral evaluation and financial statement analysis of these types of loans also requires a more detailed analysis at the time of loan underwriting and on an ongoing basis. Commercial business, ~~and~~ enterprise value ~~and digital asset~~ loans expose us to additional risks since they typically are made on the basis of the borrower’s ability to make repayments from the cash flows of the borrower’s business and are secured by non- real estate collateral that may depreciate over time, may be illiquid, and may fluctuate in value based on the success of the business, guarantor, or market conditions. ~~18~~ **In** The credit risk related to commercial real estate and multi-family loans is considered to be greater than the risk related to one- to four- family residential or consumer loans because they typically have larger balances and are more affected by adverse conditions in the economy. ~~Because payments on commercial real estate loans and multi- family loans typically often depend on the successful operation of the borrower’s business or the income stream of the real estate securing the loan as collateral, repayment of such loans may be affected by factors outside the borrower’s control, such as adverse conditions in the real estate market or in the economy, changes in government regulations or changes in the level of interest rates. Federal banking regulatory agencies have issued advisories on managing commercial real estate concentrations in a challenging economic environment. Failures in our risk management policies, procedures and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which, accordingly, could have a material adverse effect on our business, financial condition and results of operations. In addition, some of our commercial real estate loans are not fully amortizing and contain large balloon payments upon maturity. These balloon payments may require the borrower to either sell or refinance the underlying property in order to make the balloon payment, which may increase the risk of default or non- payment. Further, if we foreclose on a commercial real estate or multi- family loan, our holding period for the collateral may be longer than for one- to four- family residential mortgage loans because there are fewer potential purchasers of the collateral, which can result in substantial holding costs. In addition, vacancies, deferred maintenance, repairs and ~~19~~ ~~market-~~ **market** stigma can result in prospective buyers expecting sale price concessions to offset their real or perceived economic losses for the time it takes them to return the property to profitability. **Our construction and land development loan portfolio expose us to greater risks than other mortgage loans**. Construction and land development lending involves additional risks when compared to one- to four- family residential real estate lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan- to- value ratio. This type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. In addition, generally during the term of a construction loan, interest may be funded by the borrower or disbursed from an interest reserve set aside from the construction loan budget. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take- out financing, rather than the ability of the borrower or guarantor to repay principal and interest. A secondary market for most types of commercial real estate, ~~enterprise value, commercial business,~~ multi- family, construction and land development, **commercial business,** and digital asset **enterprise value** loans is not readily available, so we generally do not have an economically feasible opportunity to mitigate credit risk by selling part or all of our interest in these loans. The~~

level of our commercial real estate loan portfolio may subject us to additional regulatory scrutiny. Regulators have promulgated guidance that provides that a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors, (1) total reported loans for construction, land acquisition and development, and other land represent 100 % or more of total capital, or (2) total reported loans secured by multi- family and non- owner occupied, non- farm, non- 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, **and the outstanding balance of the Bank's CRE loan portfolio has increased 50 % or more during the prior 36 months**. As of December 31, ~~2023~~ **2024**, our loans of the type described in (2) above represented ~~256~~ **287** . ~~71~~ **87** % of total Bank capital. The particular focus of the guidance is on exposure to commercial real estate loans that are dependent on the cash flows from the real estate held as collateral and that are likely to be at greater risk **due** to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or **as out of** an abundance of caution). The guidance assists banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. Although we **do not have a CRE concentration as defined by regulatory guidance, we** believe we have implemented policies and procedures with respect to our commercial real estate loan portfolio consistent with this guidance . **However**, our regulators could require us to implement additional policies and procedures that may result in additional costs to us, may result in a curtailment of our multi- family and commercial real estate lending and / or require that we maintain higher levels of regulatory capital, any of which would adversely affect our loan originations and results of operations. If our allowance for credit losses for loans is not sufficient to cover actual loan losses, our earnings could decrease. The Company has an allowance for ~~current expected~~ credit losses ~~on for~~ loans maintained through a provision for credit losses charged to expense. This represents our estimate of current expected credit losses based on ~~an evaluation of risks within the portfolio of loans. The level of the allowance represents~~ management' s estimate of current expected credit losses over the contractual life of the existing loan portfolio. The determination of the appropriate level of the allowance **is** inherently ~~involves a degree of subjectivity~~ **subjective** and requires that we make significant estimates of current credit risks and current trends and reasonable and supportable forecasts of future economic conditions, all of which may undergo frequent and material changes. Changes in economic and other conditions affecting borrowers, including inflation and interest rates, along with new information regarding existing loans ~~other factors~~, may indicate the need for a future increase in the allowance. In addition, federal and state regulators periodically review our allowance for credit losses, and as a result of these reviews we may increase our credit loss expense or recognize further loan charge- offs. Material additions to the allowance would materially **decrease our net income. Changes in the secondary mortgage market may impede our ability to collect repayment on the mortgage warehouse facility lines. Mortgage warehouse loans are facility lines to non- bank mortgage origination companies. The underlying collateral of these facility lines are residential real estate loans. Loans are originated by the mortgage companies for sale into secondary markets. The primary source of repayment of the facility lines is the cash flow upon sale of the loans. Changes in the secondary mortgage market may impede the mortgage companies' ability to sell the loans and repay their facility lines. Such events could result in an increase to our provision for credit losses, which could** decrease our net income. The foreclosure process may adversely impact our recoveries on non- performing loans The judicial foreclosure process is protracted, which delays our ability to resolve non- performing loans through the sale of the underlying collateral. The longer timelines have been the result of many factors including 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 our ability to minimize its losses. ~~20~~ **Changes in 19** **Risks Related to Laws and Regulations** The fiscal monetary and regulatory policies of the federal government and its agencies could adversely affect our business, financial condition and results of operations. In addition to being affected by general economic conditions, our earnings and growth are affected by the monetary and related 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 the these secondary mortgage objectives are open market may impede our ability purchases and sales of U. S. government securities, adjustments of the discount rate and changes in banks' reserve requirements against bank deposits. These instruments are used in varying combinations to collect repayment influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on the mortgage warehouse facility lines. Mortgage warehouse loans or paid on deposits. The Federal Reserve Board' s policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect our net interest margin. Its policies can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. The monetary policies and regulations of the Federal Reserve Board have had a significant effect on the overall economy and the operating results of financial institutions in the past and may continue to do so in the future. Additionally, Congress and the administration, through executive orders, can impact fiscal policy through decisions on taxation and expenditures. Depending on industries and markets involved, changes to tax law and increased or reduced public expenditures could affect us directly or the business operations of our customers. The monetary and related policies of the Federal Reserve Board and other governmental policies have had a significant effect on the operating results of financial institutions in**

~~the past and~~ are ~~facility-~~**expected** to continue to do so in the future. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond BankProv's control and the effects of such policies upon our business, financial condition and results of operations cannot be predicted. Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and / or increase our costs of operations. We are subject to extensive regulation, supervision and examination by the Massachusetts Commissioner of Banks, the Federal Deposit Insurance Corporation and the Federal Reserve Board. Such regulation and supervision governs the activities in which an institution and its holding company may engage and are intended primarily for the protection of insurance funds and the depositors and borrowers of BankProv rather than for holders of our common stock. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for credit losses. These regulations, along with the currently existing tax, accounting, securities, insurance, monetary laws, rules, standards, policies, and interpretations control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern ~~21 financial-~~ **financial** reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent accounting firm. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of our operations as could our interpretation of those changes. ~~Non-20Non-~~ **compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines, lines, fines or sanctions. The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Department of the Treasury's Financial Crimes Enforcement Network. Rules issued consistent with these laws and their implementing regulations require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. We also provide services** to non-accounts. ~~We also provide services to non-~~ traditional deposit customers, such as digital currency customers, which require an enhanced Bank Secrecy Act program and enhanced Know Your Customer and compliance policies and procedures. We may become subject to additional regulatory scrutiny as a result of providing products and services to digital currency industry customers. Our primary banking regulators may be less familiar with the digital currency industry, or may consider the industry to involve greater risks than more established industries. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. Although we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations. ~~We-~~ **To date, we** have not been subject to fines or, other penalties, or suffered business or reputational harm with respect to potential money laundering activities or related laws and regulations, ~~in the past.~~ We are subject to the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to material penalties. The Community Reinvestment Act ("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 a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity and restrictions on expansion. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations. We could become subject to more stringent capital requirements, which could adversely impact our return on equity, require us to raise additional capital, or constrain us from paying dividends or repurchasing shares. Federal regulations establish minimum capital requirements for insured depository institutions. **For an entity that has opted into using the community bank leverage ratio, such as BankProv, the current minimum community bank leverage ratio requirement is 9%. 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 buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions. At December 31, ~~2023-~~ **2024**, BankProv met all of these **applicable regulatory capital** requirements, ~~including the full 2.5% capital conservation buffer.~~ The application of ~~these more stringent~~ capital requirements could, among other things, result in lower returns on equity, require raising of additional capital, and result in regulatory actions if we were to be unable to comply with such requirements. Furthermore, the imposition of **additional** liquidity requirements ~~in connection with the implementation of Basel III~~ could result in our having to lengthen the term of our funding, restructure our business models, and / or increase our holdings of liquid assets. Implementation of changes to asset risk weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital and / or additional capital conservation buffers could result in management modifying its business strategy, and could limit our ability to make distributions, including paying dividends or repurchasing shares. ~~Specifically, BankProv's ability to pay dividends will be limited if it does not have the capital conservation buffer required by the capital rules, which may limit our ability to pay dividends to stockholders.~~ ~~22If~~ **21If** deposits in excess of Federal Deposit Insurance Corporation insurance limits exceed thresholds established by the Depositors Insurance Fund **with respect to certain Massachusetts financial institutions**, we may lose the benefits of excess deposit insurance provided by the Depositors Insurance Fund. As a Massachusetts savings bank, our deposits are insured in full beyond federal deposit insurance coverage limits by the Depositors Insurance Fund, a private excess deposit insurer created under Massachusetts law. We believe offering full deposit insurance gives us a competitive advantage for individual, corporate and municipal depositors having deposit balances in excess of Federal Deposit Insurance Corporation insurance limits. However, the Depositors Insurance Fund may require member savings banks that pose greater than normal loss

exposure risk to the Depositors Insurance Fund to take certain risk- mitigating measures or withdraw from the Depositors Insurance Fund and become a Massachusetts trust company by operation of law, subject to the Commissioner of Banks' approval. In such an event, we may be required to reduce our level of excess deposits, pay for the reinsurance of our excess deposits, make an additional capital contribution to the Depositors Insurance Fund, provide collateral or take other risk- mitigating measures that the Depositors Insurance Fund may require, which may include entering into reciprocal deposit programs. Reducing our excess deposits by taking any of the above risk- mitigating measures, which allows deposits to run off, reduces our overall level of deposits and increases the extent to which we may need to rely in the future on other, more expensive or less stable sources for funding, including Federal Home Loan Bank advances, which would reduce net income. Shifting excess deposits into reciprocal deposit programs may result in higher funding costs, which also would reduce net income. The Federal Reserve Board may require us to commit capital resources to support BankProv. 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 contribute** 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-contribution** may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds or raise capital. Any **loans borrowing that must be done by the a holding company-Company to make a required capital contribution becomes more difficult and expensive and could have an adverse effect on our business, financial condition and results of operations. We may become subject to enforcement actions even though non- compliance was inadvertent or unintentional. The financial services industry its- is subsidiary subject to intense scrutiny from bank supervisors are subordinate in right of payment to deposits and to certain other- the indebtedness-examination process and aggressive enforcement of federal and state regulations** such subsidiary bank. In the event of a holding company's bankruptcy, the bankruptcy particularly with respect to mortgage origination companies. The - **related practices and other consumer compliance matters, and compliance with anti- money laundering- laundering collateral, Bank Secrecy Act and Office of Foreign Assets Control regulations, and other economic sanctions against certain foreign countries and nationals. Enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations; however, some legal / regulatory frameworks provide for the imposition of fines or penalties for non- compliance even though the non- compliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. Failure to comply with these facility and other regulations, and supervisory expectations related thereto, may result in fines-fines ,penalties,lawsuits,regulatory sanctions,reputation damage,or restrictions on our business.Risk Related** to Market Interest Rates Future changes in interest rates could negatively affect our operating results and asset values. Our profitability, like that of most financial institutions, depends to a large extent upon our net interest income, which is the difference between our interest income on interest- earning assets, such as loans and securities, and our interest expense on interest- bearing liabilities, such as deposits and borrowed funds. Accordingly, our results of operations depend largely on movements in market interest rates and our ability to manage our interest- rate- sensitive assets and liabilities in response to these movements. Factors such as inflation, recession and instability in financial markets, among other factors beyond our control, may affect interest rates. **Future** As a result of recent increases in interest rates, the rates on our deposits have repriced upwards faster than the rates on our long- term loans and investments, which has resulted in compression of our interest rate spread, which has had a negative effect on our profitability. Furthermore, increases in interest rates may adversely affect the ability of our borrowers to make loan repayments on adjustable- rate loans, as the interest owed on such loans would increase as interest rates increase. **Conversely, decreases in interest rates can result in increased prepayments of loans and mortgage- related securities, as borrowers refinance to reduce their borrowing costs. Under these circumstances, we are residential due subject to fixed reinvestment risk as we may have to redeploy such loan or securities proceeds into lower - yielding assets, which might also negatively impact our earnings** rate loans where the interest rates did not increase commensurately with the increase in market interest rates. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. While we pursue an asset / liability strategy designed to mitigate our risk from changes in interest rates, changes in interest rates can still have a material adverse effect on our financial condition and results of operations. Changes in the level of interest rates also may negatively affect our ability to originate **real estate loans, the value of real estate loans , - Loans are originated by the mortgage companies for value of our assets and our ability to realize gains from the sale into secondary markets. The primary source of repayment of the facility lines is the cash flow upon sale of the loans. Changes in the secondary mortgage market may result in the mortgage companies' inability to sell the loans and repay their facility lines. Such events could result in an increase to our assets provision for loan losses , all of which could decrease ultimately affect our earnings. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict our- or net income capture the impact of actual interest rate changes on our balance sheet or projected operating results**. Risks Related to Our BaaS **ActivitiesRegulatory** Activities Regulatory- scrutiny of BaaS solutions and related technology considerations has recently increased. We provide banking products and services to our financial technology company ("fintech") partners, which includes **providing certain financial services, including** payments infrastructure and deposit services. **Recently, federal Federal** bank regulators have increasingly focused on the risks related to bank and fintech partnerships, raising concerns regarding risk management, oversight, internal controls, information security, change management, and information technology **operational resilience**. This focus is demonstrated by **recent** regulatory enforcement actions against other banks that have allegedly not adequately addressed these concerns while growing their BaaS offerings. We could be subject to additional regulatory scrutiny with respect to that portion of our business that could have a material adverse effect on the business, financial condition, results of operations and growth prospects of the Company.

Furthermore, while a financial institution can benefit from a fintech's products and technology to reach new customers and previously underserved communities, the financial institution bears ultimate accountability for its partners' compliance and risk management, including with respect to penalties, fines, and other measures that bank regulatory agencies take in the event of non-compliant activity or risks that are not well controlled. In addition, end customers of fintech may not conduct deposit activity in the same manner as other customers or the fintech itself. In recognition of this risk, in February 2023, the **federal** bank regulatory agencies issued joint guidance on liquidity risks related to crypto-asset-related entities, including guidance that financial institutions should actively monitor the liquidity risks inherent in such funding sources and establish and maintain effective risk management and controls commensurate with the level of liquidity risks from such funding sources. **In addition, in July 2024 federal banking agencies issued a joint statement and request for information on banks' arrangements with third parties to deliver bank deposit products and services to end users.** Our failure to properly monitor such liquidity risks and / or manage such risk ~~from a regulatory standpoint~~ could subject us to regulatory fines or other penalties, or business or reputational harm, and could adversely affect our financial condition and results of operations. **Risks Related to Laws and Regulations Monetary..... sheet or projected operating results. 23Risks 22Risks**

**Related to Our Cryptocurrency Activities**

Regulation of the cryptocurrency industry continues to evolve and is subject to change. Moreover, securities and commodities laws and regulations and other bodies of laws can apply to certain cryptocurrency businesses. These laws and regulations are complex, were frequently not designed or crafted with cryptocurrency technology in mind or with a sufficient understanding of cryptocurrency use cases and our interpretations of them may be subject to challenge by the relevant regulators. Future regulatory developments are impossible to predict with certainty, and if we are unable to properly characterize our activities with respect to a crypto asset, we may be subject to regulatory scrutiny, inquiries, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition. The SEC and its staff have taken the position that certain crypto assets fall within the definition of a "security" under the U. S. federal securities laws. The legal test for determining whether any given crypto asset is a security is a highly complex, fact-driven analysis that evolves over time, and the outcome is difficult to predict. The SEC generally does not provide advance guidance or confirmation on the status of any particular crypto asset as a security. Furthermore, the SEC's views in this area have evolved over time and it is difficult to predict the direction or timing of any continuing evolution. It is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the views of the SEC and its staff. For example, Chair Gary Gensler has repeatedly remarked on the need for further regulatory oversight on crypto assets, crypto trading, and lending platforms by the SEC. Public statements by senior officials at the SEC indicate that the SEC does not intend to take the position that Bitcoin or Ethereum are securities (in their current form). Bitcoin and Ethereum are the only crypto assets as to which senior officials at the SEC have publicly expressed such a view. However, such statements are not official policy statements by the SEC and reflect only the speakers' views, which are not binding on the SEC or any other agency or court and cannot be generalized to any other crypto asset. With respect to all other crypto assets, there is currently no certainty under the applicable legal test that such assets are not securities, notwithstanding the conclusions we may draw based on our risk-based assessment regarding the likelihood that a particular crypto asset could be deemed a "security" under applicable laws. Similarly, though the SEC's Strategic Hub for Innovation and Financial Technology published a framework for analyzing whether any given crypto asset is a security in 2019, this framework is also not a rule, regulation or statement of the SEC and is not binding on the SEC. Several foreign jurisdictions have taken a broad-based approach to classifying crypto assets as "securities," while other foreign jurisdictions, such as Switzerland, Malta, and Singapore, have adopted a narrower approach. As a result, certain crypto assets may be deemed to be a "security" under the laws of some jurisdictions but not others. Various foreign jurisdictions may, in the future, adopt additional laws, regulations, or directives that affect the characterization of crypto assets as "securities." The classification of a crypto asset as a security under applicable law has wide-ranging implications for the regulatory obligations that flow from the offer, sale, trading, and clearing of such assets. For example, a crypto asset that is a security in the United States may generally only be offered or sold in the United States pursuant to a registration statement filed with the SEC or in an offering that qualifies for an exemption from registration. Persons that effect transactions in crypto assets that are securities in the United States may be subject to registration with the SEC as a "broker" or "dealer." Persons facilitating clearing and settlement of securities may be subject to registration with the SEC as a clearing agency. Foreign jurisdictions may have similar licensing, registration, and qualification requirements. We have policies and procedures to analyze whether the crypto assets underlying certain of our lending and deposit activities could be deemed to be a "security" under applicable laws. Our policies and procedures do not constitute a legal standard, but rather represent our company-developed model, which permits us to make a risk-based assessment regarding the likelihood that we are facilitating, or engaging in, transactions in unregistered securities. Regardless of our conclusions, we could be subject to legal or regulatory action in the event the SEC, a state or foreign regulatory authority, or a court were to determine that our activities involve a supported crypto asset "security" currently offered, sold, or traded under applicable laws. We believe that our processes reflect a comprehensive and thoughtful analysis and is reasonably designed to facilitate consistent application of available legal guidance to crypto assets to facilitate informed risk-based business judgment. However, we recognize that the application of securities laws to the specific facts and circumstances of crypto assets may be complex and subject to change, and that a listing determination does not guarantee any conclusion under the U. S. federal securities laws. We may not properly characterize our activities with respect to any given crypto asset, or that the SEC, foreign regulatory authority, or a court, if the question were presented to it, would agree with our assessment. If the SEC, state or foreign regulatory authority, or a court were to determine that we were facilitating, or engaging in, transactions in unregistered securities, we would not be able to continue such activity, and may determine not to continue similar activities. In addition, we could be subject to judicial or administrative sanctions for our actions in failing to offer or sell the crypto asset in compliance with the registration requirements, or for acting as a broker, dealer, or national securities exchange without appropriate registration. Such an action could result in injunctions, cease and desist orders, as well as civil

monetary penalties, fines, and disgorgement, criminal liability, and reputational harm. 24 Further, if Bitcoin, Ether, or any other supported crypto asset is deemed to be a security under any U. S. federal, state, or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such supported crypto asset. For instance, all transactions in such supported crypto asset would have to be registered with the SEC or other foreign authority, or conducted in accordance with an exemption from registration, which could severely limit its liquidity, usability and transactability. Moreover, the networks on which such supported crypto assets are utilized may be required to be regulated as securities intermediaries, and subject to applicable rules, which could effectively render the network impracticable for its existing purposes. Further, it could draw negative publicity and a decline in the general acceptance of the crypto asset. Also, it may make it difficult for such supported crypto asset to be traded, cleared, and custodied as compared to other crypto asset that are not considered to be securities. Specifically, even if transactions in a crypto asset were registered with the SEC or conducted in accordance with an exemption from registration, the current intermediary-based framework for securities trading, clearance and settlement is not consistent with the operations of the crypto asset market. For example, under current SEC guidance, crypto asset securities cannot be held on behalf of customers by broker-dealers that also support custody of traditional securities; and the SEC has not permitted public permissionless blockchain-based clearance and settlement systems for securities. Our use of crypto assets as collateral for loans, and the custodial arrangements with such collateral, involves risks that could adversely affect our financial condition and results of operations. In 2021, the Bank began offering term loans for companies purchasing specialized digital asset mining equipment but discontinued this type of lending in 2022. As of December 31, 2023 we had \$ 12. 3 million of these loans outstanding, compared to \$ 40. 8 at December 31, 2022. Under the loan terms the Bank maintains a security in the purchased mining equipment as well as a security interest in the digital assets and cash collateral held in a collateral account to which the borrower is required to allocate a portion of the digital assets that they obtain using the mining equipment, up until the USD-equivalent amounts in the collateral account are equal to or greater than the unpaid balance of the loan. In the event of default the Bank can require the third-party custodian to liquidate the digital assets in the collateral account in United States dollar ("USD") and repay the respective loan with such proceeds. These loans expose us to additional risks since they typically are made on the basis of the borrower's ability to make repayments from the cash flows of the borrower's business and are secured by crypto asset collateral that may be illiquid and may fluctuate significantly in value. Failure to properly monitor the value of the collateral may result in our being under-collateralized. In addition, a failure by the custodian to properly or timely liquidate the collateral and / or to properly or timely remit the proceeds of the liquidation to us may result in our recognizing losses. Moreover, collateral held by a custodian or other third-party is subject to theft and / or mis-reporting of the possession of such collateral or the value thereof, which may further result in our recognizing losses. In addition, these loans are subject to additional risks with respect to the short-term life of the mining equipment securing them. The failure to properly and timely monitor the production from the mining equipment, significant changes in the collateral valuations, casualty losses, or our inability to liquidate the equipment, could increase our potential losses in the event the Bank is required to repossess and sell the equipment to other mining operators. Our lending activities in the cryptocurrency business space are covered by our insurance policies to the same extent as our other lending activities, such as with respect to certain acts of fraud, forgery or dishonesty. However, these lending activities, like our other lending activities, are subject to the risk that insurance coverage may not be available for certain losses, or, where available, such losses may exceed insurance limits. A similar risk applies to insurance coverage with respect to custodians we engage to hold collateral related to this lending activity. Losses with respect to insurance matters could have a material impact on our financial condition or results of operations. The characteristics of digital currency have been, and may in the future continue to be, exploited to facilitate illegal activity such as fraud, money laundering, tax evasion and ransomware scams; if any of our customers do so or are alleged to have done so, it could adversely affect us. Digital currencies and the digital currency industry are relatively new and, in many cases, lightly regulated or largely unregulated. Some types of digital currency have characteristics, such as the speed with which digital currency transactions can be conducted, the ability to conduct transactions without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, the irreversible nature of certain digital currency transactions and encryption technology that anonymizes these transactions, that make digital currency particularly susceptible to use in illegal activity such as fraud, money laundering, tax evasion and ransomware scams. Two prominent examples of marketplaces that accepted digital currency payments for illegal activities include Silk Road, an online marketplace on the dark web that, among other things, facilitated the sale of illegal drugs and forged legal documents using digital currencies and AlphaBay, another darknet market that utilized digital currencies to hide the locations of its servers and identities of its users. Both of these marketplaces were investigated and closed by U. S. law enforcement authorities. U. S. regulators, including the SEC, Commodity Futures Trading Commission (the "CFTC"), and Federal Trade Commission (the "FTC"), as well as non-U. S. regulators, have taken legal action against persons alleged to be engaged in Ponzi schemes and other fraudulent schemes involving digital currencies. In addition, the Federal Bureau of Investigation has noted the increasing use of digital currency in various ransomware scams. 25 While we believe that our risk management and compliance framework, which includes thorough reviews we conduct as part of our due diligence process (either in connection with onboarding new customers or monitoring existing customers), is reasonably designed to detect any such illicit activities conducted by our potential or existing customers (or, in the case of digital currency exchanges, their customers), we may not be able to detect such illegal activity in all instances. Because the speed, irreversibility and anonymity of certain digital currency transactions make them more difficult to track, fraudulent transactions may be more likely to occur. We may be specifically targeted by individuals seeking to conduct fraudulent transfers, and it may be difficult or impossible for us to detect and avoid such transactions in certain circumstances. If one of our customers were to engage in or be accused of engaging in illegal activities using digital currency, we could be subject to various fines and sanctions, including limitations on our activities, which could also cause reputational damage and adversely affect our business, financial condition and results of operations. Risks Related to our Business Strategy Strong competition for banking services could hurt our profits and slow

growth. We face intense competition in making loans and attracting deposits. Price competition for loans and deposits sometimes results in us charging lower interest rates on our loans and paying higher interest rates on our deposits **and, either of which** may reduce our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. Many of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer **products and** services that we do not provide. In addition, we face increasing competition for investors' funds and banking services from other financial service companies such as fintech companies, brokerage firms, **credit unions**, money market funds, mutual funds and other corporate and government securities. We may have difficulty entering into new lines of business or new markets that are already served by existing financial institutions or other entities. Conversely, our competitors often aggressively price loan and deposit products when they enter into new lines of business or new market areas. Competitive factors driven by consumer sentiment or otherwise can also reduce our ability to generate fee income, such as through overdraft fees. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. If we are not able to effectively compete, our results of operations may be negatively affected. ~~The greater resources and broader offering of deposit and loan products of some of our competitors may also limit our ability to increase our interest-earning assets.~~ New lines of business or new products and services may subject us to additional risks. From time to time, we may implement new lines of business or offer new products and services within existing lines of business. In addition, we will continue to make investments in research, development, and marketing for new products and services. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and / or new products and services we may invest significant time and resources. Initial timetables for the 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 our new offerings as providing significant value, they may fail to accept our 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 our information technology of introducing any new line of business and / or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations. Risk Related to Economic Conditions A worsening of economic conditions could reduce demand for our products and services and / or result in increases in our level of non-performing loans, which could have an adverse effect on our results of operations. ~~Our~~ **Unlike larger financial institutions that are generally more geographically diversified, our** real estate lending, and a large portion of our commercial business lending, depends primarily on the general economic conditions in Northeastern Massachusetts and Southern **and Central** New Hampshire. Certain types of our commercial business loans are originated nationally and will be impacted by national or regional economic conditions. Economic conditions, **particularly in our local market area,** have a significant impact on the ability of the borrowers to repay loans and the value of the collateral securing these loans. ~~A deterioration~~ **significant decline** in **general** economic conditions, **caused by inflation, recession, implementation of tariffs or other domestic or international policies, international tensions, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control could impact our local economic conditions and could further negatively affect the financial results of our banking operations and** could result in the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations: ~~(2) demand for our products and services may decline; (2) loan delinquencies, problem assets and foreclosures may increase; (26) collateral for loans, especially real estate, may decline in value, in turn reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans; (2) we may be required to increase our allowance for credit losses may increase; (2) the value of our securities portfolio may decline; and (2) the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.~~ ~~Moreover, a significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control could further impact these local economic conditions and could further negatively affect the financial results of our banking operations.~~ In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance. Further, a U. S. government debt default could have a material adverse impact on our business and financial performance. Other negative impacts could be volatile capital markets, an adverse impact on the U. S. economy and the U. S. dollar, as well as increased default rates among borrowers in light of increased economic uncertainty. Some of these impacts might occur even in the absence of an actual default but as a consequence of extended political negotiations around the threat of such a default and a government shutdown. ~~Inflation~~ **23 Inflation** can have an adverse impact on our business and on our customers. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. ~~If~~ **Over the past two years, in response to a pronounced rise in inflation, the Federal Reserve Board elects has raised certain benchmark interest rates to combat inflation. As inflation increases- increase and** market interest rates **rise,** the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our non- interest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us. ~~Sustained higher interest rates by the Federal Reserve Board 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 our markets could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition and results of operations. **Unrelated bank failures** **Interruption of our customers' supply chains and federal funding** could subject us to increased regulatory scrutiny and higher deposit insurance costs. Additionally, our stock price may be negatively impacted **impact** by negative depositor confidence **their business and operations and impact their ability to repay their loans. Any material interruption in depository institutions our customers' supply chains, such as a material interruption of the resources required to conduct their business, such as those** resulting from these failures. Further **interruptions in service by third-party providers**, if we are unable to adequately manage **trade restrictions, such as increased tariffs our or liquidity quotas, deposits embargoes or customs restrictions**, capital levels and interest rate risk **reductions in federal subsidies or grants**, which **social or labor unrest, natural disasters, epidemics or pandemics or political disputes and military conflicts, that cause a material disruption in our customers' supply chains, could have come under greater scrutiny in light a negative impact on their business and ability to repay their borrowings with us. In the event of recent bank failures disruptions in our customers' supply chains, if the labor and materials they rely on in the ordinary course of business may not be available at reasonable rates or at all. Additionally, changes in distribution of federal funds or freezing of federal funds, including reductions in federal workforce causing unemployment, could have an a material adverse effect on the ability of consumers and businesses to pay debts and / our or affect** financial condition and results of operations. On March 9, 2023, Silvergate Bank, La Jolla, California, announced its decision to voluntarily liquidate its assets and wind down operations. On March 10, 2023, Silicon Valley Bank, Santa Clara, California, was closed by the **demand for loans** 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, and on May 1, 2023, First Republic Bank, San Francisco, California, was closed by the California Department of Financial Protection and Innovation. These banks also had elevated levels of uninsured deposits, which may be less likely to remain at the bank over time 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 comprehensive loss, capital levels and interest rate risk management. If we are unable to adequately manage our liquidity, deposits, capital levels and interest rate risk, it may have a material adverse effect on our financial condition and results of operations. The premiums of the FDICs deposit insurance program are subject to increases based on claims on the fund related to bank failures. Banking regulators have signaled further review of regulatory requirements and the potential for changes to laws or regulations governing banks and bank holding companies. Changes resulting from these events could include increased regulatory oversight, higher capital requirements or changes in the way regulatory capital is calculated, and the imposition of additional restrictions through regulatory changes or supervisory or enforcement activities, each of which could have a material impact on our business. **27Risks 24Risks** Related to Operational Matters System failure or breaches of our network security could materially and adversely affect our business, as well as subject us to increased operating costs as well as litigation and other liabilities. Our ability to provide reliable service to customers and other network participants, as well as **conduct** our internal operations, depend on the efficient and uninterrupted operation of our computer network systems and data centers as well as those of our retail distributors, network acceptance members and third-party processors, including our ability to protect our computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Our business involves the movement of large sums of money, processing large numbers of transactions and managing the data necessary to do both. Interruptions in our service may result for a number of reasons. **For example, the data center hosting facilities that we use could be closed without adequate notice or suffer unanticipated problems resulting in lengthy interruptions in our service.** Any damage or failure that causes an interruption in our operations could cause customers, retail distributors and other partners to become dissatisfied with our products and services or obligate us to issue credits or pay fines or other penalties to them and could have a material adverse effect on our financial condition and results of operations. **Cyber Computer break- attacks and information security breaches could compromise our information or result ins- in the data of our customers being improperly divulged, phishing which could expose us to liability and losses. Many financial institutions and companies engaged in data processing have reported significant breaches in the security of their websites or other disruptions systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyber- attacks and other means. We are subject to such cyber- attacks or other information security breaches, which could also jeopardize the result in losses. Additionally, our risk exposure to security matters may remain elevated or increase in the future due to, among other things, the increasing size and prominence of the Company in the financial services industry, our expansion of Internet and mobile banking tools and products based on customer needs, and an increased level of employees working remotely. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Disruptions stored in and transmitted through our- or computer failures in the physical infrastructure or operating systems and that support our businesses, customers or third parties, or cyber- attacks or security breaches of the network networks infrastructure, which may systems or devices that our customers or third parties use to access our products and services could result in significant customer attrition, financial losses, the liability- inability of our to us and may cause existing and potential customers or vendors to transact refrain from doing business with us, violations of applicable privacy and other laws, regulatory fines,**

penalties or intervention, reputational damage, reimbursement or other costs, and / or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition. Although we take protective measures to maintain the confidentiality, with integrity and availability of information, our computer systems, software and networks may be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or the other help of third malicious code, cyber - party service providers, continue to implement attacks and other events that could have an adverse security impact. Furthermore technology and establish operational procedures designed to prevent such damage, we our security measures may not be successful. A failure able to ensure that all of our clients, suppliers, counterparties and other third parties have appropriate controls in place to protect themselves from cyber- attacks or to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. Although we have developed, and continue to invest in, systems and processes that are designed to detect and prevent security measures breaches and cyber- attacks, a breach of our systems and global payments infrastructure or those of our fintech partners and processors could result in: losses to us and our customers; loss of business and / or customers; damage to our reputation; the incurrence of additional expenses (including the cost of investigation and remediation and the cost of notification to consumers, credit monitoring and forensics, and fees and fines imposed by the card networks); disruption to our business; an inability to grow our online services or other businesses; additional regulatory scrutiny, investigation or penalties; and / or exposure to civil litigation and possible financial liability — any of which could have a material adverse effect on our reputation, business, financial condition and results of operations. A significant amount Although the impact to date for these type of time and money may events has not had a material impact on us, we cannot be spent to rectify sure this will be the harm caused -- case in the future. Our failure to successfully keep pace with technological changes could have a material adverse impact on our business and, in turn, our financial condition and results of operations. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve clients and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our clients by a breach using technology to provide products and services that will satisfy client demands, as well as to create additional efficiencies in or our hack operations. Many of our competitors Our general liability insurance and business interruption insurance have limitations on coverage and substantially greater resources to invest in technological improvements. We may not be adequate able to effectively implement new technology- driven products and services cover the losses or damages that we incur. Furthermore, cyber incidents carry a greater risk of injury to our - or reputation be successful in marketing these products and services to our clients. Finally, depending Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the type of incident, banking regulators can impose restrictions on our business and, in turn, consumer laws may require customer reporting and / or our reimbursement financial condition and results of operations customer loss. Customer or employee fraud subjects us to additional operational risks. Employee errors and employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Our loans to businesses and individuals and our deposit relationships and related transactions are also subject to exposure to the risk of loss due to fraud and other financial crimes. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence. Any failure of our internal controls to prevent or promptly detect an occurrence, or any resulting loss that is not insured or exceeds applicable insurance limits, could have a material adverse effect on our financial condition and results of operations. If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected. Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including credit, liquidity, operational, regulatory compliance and reputational. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and our business and results of operations could be materially adversely affected. Our continued development of innovative banking solutions and highly specialized deposit products, which is central to our strategic plan, will require us to devote management time and financial resources to making corresponding refinements to our enterprise risk management framework. We may not be successful in designing or implementing adjustments to our enterprise risk management to address changes in one or more of our businesses.

**Risks Related to Liquidity and Funding** A lack of liquidity could adversely affect the Company's financial condition and results of operations. Liquidity is essential to the Company's business. The Company relies on its ability to generate deposits and effectively manage the repayment and maturity schedules of loans to ensure that there is adequate liquidity to fund its operations. An inability to raise funds through deposits, borrowings, the sale and maturities of loans and securities and other sources could have a substantial negative effect on liquidity. The Company's most important source of funds is deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk / return tradeoff, which are strongly influenced by such external factors as the direction and level of interest rates, local and national economic conditions and the availability and attractiveness of alternative investments. Further, the demand demand for deposits may be reduced due to a variety of factors such as demographic patterns, changes in customer preferences, reductions in consumers' disposable income, the monetary policy of the FRB or regulatory actions that decrease customer access to particular products. If

customers move money out of bank deposits and into other investments such as money market funds, the Company would lose a relatively low-cost source of funds, which would increase its funding costs and reduce net interest income. Any changes made to the rates offered on deposits to remain competitive with other financial institutions may also adversely affect profitability and liquidity. **Other 25Other** primary sources of funds consist of cash flows from operations, maturities ~~and sales of investment loans and, to a lesser extent,~~ securities, and borrowings from the FHLB of Boston. The Company also has an available line of credit with the FRB Boston discount window. The Company also may borrow funds from third-party lenders, such as other financial institutions. The Company's access to funding sources in amounts adequate to finance or capitalize its activities, or on terms that are acceptable, could be impaired by factors that affect the Company directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry, a decrease in the level of the Company's business activity as a result of a downturn in markets or by one or more adverse regulatory actions against the Company. Any decline in available funding could adversely impact the Company's ability to originate loans, invest in securities, meet expenses, or to fulfill obligations such as repaying borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on its liquidity, business, financial condition and results of operations. Our funding sources may prove insufficient to replace deposits at maturity and support our future growth. We must maintain sufficient funds to respond to the needs of depositors and borrowers. As a part of our liquidity management, we use a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. These additional sources consist primarily of Federal Home Loan Bank advances, **credit available from the Federal Reserve Bank of Boston,** proceeds from the sale of loans **and securities,** federal funds purchased, brokered certificates of deposit, listing service deposits, and other lines of credit. As we continue to grow, we are likely to become more dependent on these sources. Adverse operating results or changes in industry conditions could lead to difficulty or an inability in accessing these additional funding sources. Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Our business model may be more highly susceptible than comparably sized banks to fluctuations in our liquidity levels, due to cash needs of customers such as payroll providers, or a decrease in the number of smaller businesses that we service. If we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our operating margins and results of operations would be adversely affected. Deterioration in the performance or financial position of the Federal Home Loan Bank of Boston or the Federal Reserve Bank of Boston might restrict our ability to meet our funding needs. Additionally, the deterioration in the performance or financial position of the Federal Home Loan Bank of Boston could cause a suspension of its dividend and cause its stock to be deemed impaired. Significant components of BankProv's liquidity needs are met through its access to funding pursuant to its membership in the Federal Home Loan Bank of Boston and the Federal Reserve Bank of Boston. Any deterioration in their performance or financial condition may affect our ability to access funding. If we are not able to access funding, we may not be able to meet our liquidity needs, which could have an adverse effect on the results of operations or financial condition. The purchase of stock in the Federal Home Loan Bank of Boston is a requirement for a member to gain access to funding. Any deterioration in their performance or financial condition may also require us to deem the required investment in Federal Home Loan Bank of Boston stock to be impaired. If we deem all or part of our investment in Federal Home Loan Bank of Boston stock impaired, such action could have a material adverse effect on our results of operations or financial condition. **The soundness of other financial institutions could adversely affect us. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to many different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, other commercial banks, investment banks, mutual and hedge funds, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. Any such losses could materially and adversely affect our results of operations.**

Risks Related to Environmental and Other Global Matters We are subject to environmental liability risk associated with lending activities. A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or regulations or more stringent interpretations or enforcement policies with respect to existing laws and regulations may increase our exposure to environmental liability, and heightened pressure from investors and other stakeholders may require us to incur additional expenses with respect to environmental matters. Although we ~~have policies and procedures to~~ perform an environmental review before initiating any foreclosure ~~29action--~~ **action** on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us. ~~Societal 26Societal~~ responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers. Concerns over the long-

term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses may also change their behavior ~~on their own~~ as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions, operating process changes and other issues. The impact on our customers will likely vary depending on their specific attributes, including reliance on carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate- friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior. Our business, financial condition, and results of operations could be adversely affected by natural disasters, health epidemics, and other catastrophic events. We 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 our ability to provide services. Additionally, many of our borrowers may suffer property damage, experience interruption of their businesses 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. Risks Related to Accounting Matters Changes in management' s estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results. In preparing our periodic reports that we file under the Securities Exchange Act of 1934, including our consolidated financial statements, our management is required 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. Areas requiring significant estimates and assumptions by management include our valuation of our stock-based compensation plans, our determination of our income tax provision, and our evaluation of the adequacy of our allowance for credit losses. Other Risks Related to Our Business Legal and regulatory proceedings and related matters could adversely affect us or the financial services industry in general. We, and other participants in the financial services industry upon whom we rely on to operate, have been and may in the future become involved in legal and regulatory proceedings. ~~It Most of the proceedings we consider to be in the normal course of our business or typical for the industry; however, it is inherently difficult to assess the outcome of these matters , and other participants in the financial services industry or we may not prevail in any proceeding or litigation.~~ There could be substantial cost and management diversion in such litigation and proceedings, and any adverse determination could have a materially adverse effect on our business, brand or image, or our financial condition and results of our operations. Our success depends on hiring, retaining and motivating certain key personnel. Our performance largely depends on the talents and efforts of highly skilled individuals. We rely on key personnel to manage and operate our business, including major revenue generating functions such as loan and deposit generation. The loss of key staff may adversely affect our ability to maintain and manage these functions effectively, which could negatively affect our revenues. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which could cause a decrease in our net income. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees. Managing reputational risk is important to attracting and maintaining customers, investors and employees. Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, and questionable or fraudulent activities of our customers, employees, or directors. We have policies and procedures in place to protect ~~our reputation against these occurrences 30and~~ ~~and~~ promote ethical conduct, but these policies and procedures may not be fully effective. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers and employees, costly litigation and increased governmental regulation, all of which could adversely affect our operating results. ~~A protracted government shutdown could negatively affect our financial condition and results of operations. A protracted federal government shutdown could result in reduced income for government employees or employees of companies that engage in business with the federal government, which could result in greater loan delinquencies, increases in our nonperforming, criticized and classified assets and a decline in demand for our products and services. Various 27Various~~ factors may make takeover attempts more difficult to achieve. Certain provisions of our articles of incorporation and state and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of Provident Bancorp, Inc. without our Board of Directors' approval. Under federal law, subject to certain exemptions, a person, entity or group must notify the Federal Reserve Board before acquiring control of a bank holding company. Acquisition of 10 % or more of any class of voting stock of a bank holding company, including shares of our common stock or ~~any~~ ~~shares of our~~ ~~voting~~ preferred stock ~~were those shares to become entitled to vote upon the election of two directors because of missed dividends~~, creates a rebuttable presumption that the acquirer " controls " the bank holding company. Also, a bank holding company must obtain the prior approval of the Federal Reserve Board before, among other things, acquiring direct or indirect ownership or control of more than 5 % of any class of voting shares of any bank, including BankProv. There also are provisions in our articles of incorporation that may be used to delay or block a takeover attempt, including a provision that prohibits any person from voting more than 10 % of the shares of common stock outstanding. Furthermore, shares of restricted stock and stock options that we have granted or may grant to employees and directors, stock ownership by our management and directors, employment agreements that we have entered into with our executive officers and other factors may make it more difficult for companies or persons to acquire control of Provident Bancorp, Inc. without the consent of our Board of Directors. Taken as a whole, these statutory provisions and provisions in our articles of incorporation ~~and agreements~~ could result in our being less attractive to a potential acquirer and thus could adversely affect the market price of our common stock. Our articles of

incorporation provide that state and federal courts located in the state of Maryland are the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our articles of incorporation generally provide that, unless we consent in writing to the selection of an alternative forum, Maryland is the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty, any action asserting a claim arising pursuant to any provision of Maryland corporate law, or any action asserting a claim governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors and officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our articles of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition. Potential downgrades of U. S. government securities by one or more of the credit ratings agencies could have a material adverse effect on our operations, earnings and financial condition. A possible future downgrade of the sovereign credit ratings of the U. S. government and a decline in the perceived creditworthiness of U. S. government- related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affect the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. ~~We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions.~~ Such ratings actions could result in a significant adverse impact on us. Among other things, a downgrade in the U. S. government's credit rating could adversely impact the value of our securities portfolio and may trigger requirements that we post additional collateral for trades relative to these securities. A downgrade of the sovereign credit ratings of the U. S. government or the credit ratings of related institutions, agencies or instruments would significantly exacerbate the other risks to which we are subject and any related adverse effects on the business, financial condition and results of operations. ~~ITEM 1B. UNRESOLVED STAFF COMMENTS None.~~