Risk Factors Comparison 2024-02-20 to 2023-02-21 Form: 10-K

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

Investing in our common stock involves risks, including the possibility that the value of the investment could fall substantially and that dividends or other distributions could be reduced or eliminated. Investors should carefully consider the following risk factors before making an investment decision regarding our stock. The **following** risk factors may cause our future earnings to be lower or our financial condition to be less favorable than expected, which could adversely affect the value of, and return on, an investment in the Company. In addition, other risks that we are not aware of, or which are not believed to be material, may cause earnings to be lower, or may deteriorate the financial condition of the Company. Consideration should also be given to the other information in this Annual Report on Form 10- K, as well as in the documents incorporated by reference into this Form 10- K. Risks Related to the Economy, Financial Markets, Interest Rates and Liquidity The geographic concentration of our operations makes us susceptible to downturns in local economic conditions. Our lending operations are concentrated in central Maryland, northern Virginia and Washington D. C. Our success depends in part upon economic conditions in these markets. Adverse changes in economic conditions in these markets could limit growth in loans and deposits, impair our ability to collect amounts due on loans, increase problem loans and charge- offs and otherwise negatively affect our performance and financial condition. Declines in real estate values could cause some of our residential and commercial real estate loans to be inadequately collateralized, which would expose us to a greater risk of loss in the event that the recovery on amounts due on defaulted loans is resolved by selling the real estate collateral under duress or to expedite payment. Changes in interest rates may adversely affect **our** earnings and financial condition. Our net income depends to a great extent upon the level of net interest income, which is the difference between the interest income earned on loans, investments, and other interest- earning assets, and the interest paid on interest- bearing liabilities, such as deposits and borrowings. Net interest income is affected by changes in market interest rates ~~,~~ because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest- bearing liabilities mature or re- price more quickly than interest- earning assets in a period, an increase in market rates of interest could reduce net interest income. Similarly, when interest- earning assets mature or re- price more quickly than interest- bearing liabilities, falling interest rates could reduce net interest income. Changes in market interest rates are affected by many factors beyond our control, including inflation, unemployment, money supply, fiscal policies of the U. S. government, domestic and international events, and events in U. S. and other financial markets. We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, re- pricing, and balances of the different types of interest- earning assets and interest- bearing liabilities, but interest rate risk management techniques are not exact. As a result, a rapid increase or decrease in interest rates could have an adverse effect on our net interest margin and results of operations. Changes in the market interest rates for types of products and services in various markets also may vary significantly from location to location and over time based upon competition and local or regional economic factors. ~~At December 31, 2022, our~~ **For further discussion regarding the impact of** interest rate **movements on** ~~sensitivity simulation model projected that~~ net interest income **, refer to the Market Risk Management section of Management' s Discussion** ~~would increase by 0. 25 % if interest rates immediately rose by 100 basis points~~ and **Analysis on page 65** ~~would decrease by 1. 38 % if interest rates immediately declined by 100 basis points~~ . The results of an interest rate sensitivity simulation model depend upon a number of assumptions regarding customer behavior, movement of interest rates and cash flows, any of which may prove to be inaccurate. ~~For further discussion regarding the impact of interest rates movements on net interest income, refer to the Market Risk Management section of Management' s Discussion and Analysis on page 62.~~ Inflation can have an adverse impact on our business and on our customers. In 2022 **and continuing into 2023** , the United States experienced the highest rates of inflation since the 1980s. In an effort to reduce inflation, the Federal Reserve increased the federal funds target rate seven times in 2022 **and four times in 2023** from 0- 0. 25 % at the beginning of **2022** ~~the year~~ to ~~4~~ **5** . 25 – ~~4~~ **5** . 50 % as of December 31, ~~2022~~ **2023** . Market interest rates increased in response ~~over~~ **to** the ~~course of the year~~ **Federal Reserve' s actions** . Inflation generally increases the cost of goods and services we use in our business operations, as well as labor costs. We may find that we need to give higher than normal raises to employees and start new employees at a higher wage. Furthermore, our clients are also affected by **elevated interest rates,** 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 **. Further rate hikes would continue to increase the cost of business investment and consumer goods, which would place downward pressure on demand and cause declines in cash flow and profitability, further impacting the ability of borrowers to repay their loans** . As market interest rates rise, the value of our investment securities generally decreases, although this effect can be less pronounced for floating rate instruments. Higher interest rates reduce the demand for loans and increase the attractiveness of alternative investment and savings products, like U. S. Treasury securities and money market funds, which can make it difficult to attract and retain deposits. **Insufficient liquidity could impair** ~~Changes to and replacement of the LIBOR Benchmark Interest Rate may adversely affect~~ our ~~business,~~ **ability to fund operations and jeopardize our** financial condition, **growth** ~~and results of operations. We have certain loans, interest rate swap agreements, investment securities and debt obligations whose interest rate is indexed to the London InterBank Offered Rate (LIBOR). In 2017, the United Kingdom' s Financial Conduct Authority (the" FCA"), which is responsible for regulating LIBOR, announced that the publication of LIBOR is not guaranteed beyond 2021. In December 2020, the administrator of LIBOR announced its intention to (i) cease the publication of the one- week and two- month U. S. dollar LIBOR after December 31, 2021, and (ii) cease the publication of all other tenors of U. S. dollar LIBOR (one, three, six and 12 month LIBOR) after June 30, 2023. The FCA has stated that it does not intend to persuade or compel banks to submit to LIBOR after such respective~~

~~dates. Until such time, however, FCA panel banks have agreed to continue to support LIBOR. The language in our LIBOR-based contracts and financial instruments has developed over time and may have various events that trigger when a successor index to LIBOR would be selected. If a trigger is satisfied, contracts and financial instruments may give us or the calculation agent, as applicable, discretion over the selection of the substitute index for the calculation of interest rates. The implementation of a substitute index for the calculation of interest rates under our loan agreements may result in disputes or litigation with counter- parties over the appropriateness or comparability to LIBOR of the substitute index, which could have an~~ **and prospects** ~~adverse effect on our results of operations. Even when robust fallback language is included, there can be no assurance that the replacement rate plus any spread adjustment will be economically equivalent to LIBOR, which could result in a lower interest rate being paid to us on such assets. To mitigate the risks associated with the expected discontinuation of LIBOR, we implemented enhanced fallback language for LIBOR- linked commercial loans, adhered to the International Swaps and Derivatives Association 2020 Fallbacks Protocol for interest rate swap agreements, updated our systems to accommodate alternative reference rates, and began originating loans utilizing alternative reference rates at the end of 2021. The Alternative Reference Rates Committee (a group of private- market participants convened by the Federal Reserve Board and the Federal Reserve Bank of New York) has identified the Secured Overnight Financing Rate, or SOFR, as the recommend alternative to LIBOR. The use of SOFR as a substitute for LIBOR is voluntary and may not be suitable for all market participants. SOFR is calculated based on overnight transactions under repurchase agreements, backed by Treasury securities. SOFR is observed and backward looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward- looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given that SOFR is a secured rate backed by government securities, it does not take into account bank credit risk (as is the case with LIBOR). SOFR is therefore likely to be lower than LIBOR and is less likely to correlate with the funding costs of financial institutions. To approximate economic equivalence to LIBOR, SOFR can be compounded over a relevant term and a spread adjustment may be added. Market practices related to SOFR calculation conventions continue to develop and may vary. Inconsistent calculation conventions among financial products may expose us to increased basis risk and resulting costs. Other alternatives to LIBOR also exist. The American Financial Exchange (" AFX ") has also created the American Interbank Offered Rate (" Ameribor ") as another potential replacement for LIBOR. Ameribor is calculated daily as the volume- weighted average interest rate of the overnight unsecured loans on AFX. Because of the difference in how it is constructed, Ameribor may diverge significantly from LIBOR in a range of situations and market conditions. Credit sensitive rates may become unrepresentative or subject to manipulation to the extent that they are based on a low volume of underlying transactions and sensitive to market stress. The ongoing COVID-19 pandemic and measures taken to limit its spread could adversely our business, financial condition, and results of operations. The COVID- 19 pandemic negatively impacted economic and commercial activity and financial markets, both globally and within the United States. Measures to contain the virus, such as stay- at- home orders, travel restrictions, closure of non-essential businesses, occupancy limitations and social distancing requirements, resulted in significant business and operational disruptions, including business closures, and mass layoffs and furloughs. Though consumer and business spending and unemployment levels have improved significantly, the economic recovery has been uneven, with industries such as travel, entertainment, hospitality and food service lagging. Supply chain disruptions precipitated by the abrupt economic slowdown have contributed to increased costs, lost revenue, and inflationary pressures for many segments of the economy. Further, a significant number of workers left their jobs during the COVID- 19 pandemic, leading to wage inflation in many industries as businesses attempt to fill vacant positions. The continuation of the COVID- 19 pandemic, or the emergence of another health emergency, epidemic or pandemic, could (i) reduce the demand for loans and other financial services, (ii) result in increases in loan delinquencies, problem assets, and foreclosures, (iii) cause the value of collateral for loans, especially real estate, to decline in value, (iv) reduce the availability and productivity of our employees, (v) cause our vendors and counterparties to be unable to meet existing obligations to us, (vi) negatively impact the business and operations of third- party service providers that perform critical services for our business, (vii) cause the value of our securities portfolio to decline, (viii) and cause the net worth and liquidity of loan guarantors to decline, impairing their ability to honor commitments to us. Any one or a combination of the above events could have a material, adverse effect on our business, financial condition, and results of operations. We are subject to liquidity risks. Effective liquidity management is essential for the operation of our business~~. We require sufficient liquidity to **fund** ~~meet customer~~ loan **commitments, satisfy depositor withdrawal** requests, **make** ~~customer deposit maturities / withdrawals,~~ payments on **our** debt obligations as they ~~come~~ **become** due **,** and **meet** other cash commitments ~~under both normal operating~~ **. Liquidity risk is the potential that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost, in a timely manner and without adverse** conditions **or consequences. Our sources of liquidity consist primarily of cash, assets readily convertible to cash (such as investment securities), increases in deposits, advances, as needed, from the FHLB, borrowings, as needed, from the Federal Reserve Bank of Richmond** and other **borrowings** ~~unpredictable circumstances causing industry or general financial market stress~~. Our access to funding sources in amounts adequate to finance our activities **or** on **acceptable** terms ~~that are acceptable to us~~ could be impaired by factors that affect ~~us~~ **our organization** specifically or the financial services industry or economy generally. Core deposits and FHLB advances are our primary source of funding. A significant decrease in core deposits, an inability to renew FHLB advances, an inability to obtain alternative funding to core deposits or FHLB advances, or a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a negative effect on our business, financial condition and results of operations. Our investment securities portfolio is subject to credit risk, market risk, and liquidity risk. ~~The~~ **Our** investment securities portfolio has risk factors beyond our control that may significantly influence its fair value. These risk factors include, but are not limited to, rating agency downgrades of the securities, defaults of the issuers of the securities, lack of market pricing of the securities, and instability in the credit markets. Lack of market activity with respect to some securities has, in certain circumstances, required us to base our fair market valuation on unobservable inputs. Any changes in these risk factors, in current accounting principles or interpretations of these principles could impact our assessment of fair value. Adjustments to the allowance for credit losses on available- for- sale investment securities would negatively affect our earnings and regulatory capital ratios. Credit Risks Our allowance for credit losses may not be adequate to cover our actual credit losses, which could adversely affect our financial condition and results of operations. We maintain an allowance for credit losses in an amount that is believed to be appropriate to provide for expected losses inherent in the portfolio. We have a proactive program to monitor credit quality and to identify loans that may become non- performing; however, at any time there could be loans in the portfolio that may result in losses, but that have not been identified as non- performing or potential problem credits. We may be unable to identify all deteriorating credits prior to them becoming non- performing assets, or to limit losses on those loans that are identified. As a result, future additions to the allowance may be necessary. Additionally, future additions to the allowance may be required based on changes in the forecasted economic conditions, changes in the loans comprising the portfolio and changes in the financial condition of borrowers, or as a result of assumptions used by management in determining the allowance. Additionally, banking regulators, as an integral part of their supervisory function, periodically review the adequacy of our allowance for credit losses. These regulatory agencies may require an increase in the provision for expected credit losses or to recognize further loan charge- offs based upon their judgments, which may be different from ours. Any increase in the allowance for credit losses could have a negative effect on our financial condition and results of operations. We may not be able to adequately measure and limit our credit risk, which could lead to unexpected losses. The business of lending is inherently risky, including risks that the principal of or interest on any loan will not be repaid timely, or at all, or that the value of any collateral supporting the loan will be insufficient to cover our outstanding exposure. These risks may be affected by the strength of the borrower' s business sector and local, regional and national market and economic conditions. Many of our loans are made to small- to medium- sized businesses that may be less able to withstand competitive, economic and financial pressures than larger borrowers. Our risk management practices, such as monitoring the concentration of loans within specific industries and credit approval practices, may not adequately reduce credit risk, and credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. A failure to effectively measure and limit the credit risk associated with our loan portfolio could lead to unexpected losses and have a material adverse effect on our business, financial condition and results of operations. If non- performing assets increase, earnings will be adversely impacted. Non- performing assets adversely affect net income in various ways. Interest income is not accrued on non- accrual loans or other real estate owned. We must record a reserve for expected credit losses, which is established through a current period charge in the form of a provision for expected credit losses, and from time to time must write- down the value of properties in our other real estate owned portfolio to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to other real estate owned. Further, the resolution of non- performing assets requires the active involvement of management, which can distract them from more profitable activities. Finally, if the estimate for the recorded allowance for credit losses proves to be incorrect and the allowance is inadequate, the allowance will have to be increased and, as a result, our earnings would be adversely affected. Appraisals may not accurately describe the value of our collateral. When making a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made and does not guarantee that the appraised value could be realized upon sale of the property. Real estate values can change significantly in relatively short periods of time, especially in periods of changing interest rates and economic uncertainty. If the amount realizable upon the sale of the collateral is less than the appraised value, we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan. In addition, we rely on appraisals and other valuation techniques to establish the value of foreclosed real estate and to determine certain loan impairments. If any of these valuations are incorrect, our consolidated financial statements may reflect the incorrect value of our other real estate owned and our allowance for credit losses may not accurately reflect loan impairments. Our commercial real estate lending activities expose us to increased lending risks and related loan losses. At December 31, ~~2022~~ **2023** , our commercial real estate loan portfolio totaled $ **7.** 8 ~~. 0~~ billion, or ~~70~~ **69** % of our total loan portfolio. Commercial real estate loans generally expose a lender to greater risk of non- payment and loss than one- to- four family residential mortgage loans because repayment of the loans often depends on the successful operation of the properties and the income stream of the borrowers. These loans involve larger loan balances to single borrowers or groups of related borrowers compared to one- to- four family residential mortgage loans **. Some segments have shown some signs of weakness as rising expenses and debt costs and lower valuations have impacted credit quality metrics. Vacancy rates have risen in the office sector, which is experiencing significant structural shifts that could take several years to fully materialize as new remote work practices normalize** . To the extent that borrowers have more than one commercial real estate loan outstanding, an adverse development with respect to one loan or one credit relationship could expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to- four family residential real estate loan. Moreover, if loans that are collateralized by commercial real estate become troubled and the value of the real estate has deteriorated significantly, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan. A decline in the value of the collateral for a loan may require us to increase our allowance for credit losses, which would adversely affect our earnings and financial condition. Imposition of limits by the bank regulators on commercial real estate lending activities could curtail our growth and adversely affect our earnings. Regulatory guidance on concentrations in commercial real estate lending provides that a bank' s commercial real estate lending exposure could receive increased supervisory scrutiny where total commercial investor real estate loans, including loans secured by apartment buildings, nonowner- occupied investor real estate, and construction and land loans, represent 300 % or more of an institution' s total risk- based capital, and the outstanding balance of the commercial real estate loan portfolio has increased by 50 % or more during the preceding 36 months. At December 31, ~~2022~~ **2023** , our total commercial investor real estate loans, including loans secured by apartment buildings, nonowner- occupied commercial real estate, and construction and land loans represented ~~370~~ **348** % of the Bank' s total risk- based capital and the growth in the commercial real estate (" CRE") portfolio ~~exceeded 26~~ **was approximately 30** % over the preceding 36 months, significantly driven by ~~the~~ **our** 2020 acquisition of Revere **Bank** . Management has established a CRE lending framework to monitor specific exposures and limits by types within the CRE portfolio and takes appropriate actions, as necessary. If the Federal Reserve, the Bank' s primary federal regulator, were to impose restrictions on the amount of commercial real estate loans we can hold in our portfolio, our earnings would be adversely affected. Our concentration of residential mortgage loans exposes us to increased lending risks. At December 31, ~~2022~~ **2023** , ~~13~~ **14** % of our **total residential mortgage** loan portfolio was secured by one- to- four family real estate, a significant majority of which is located in central Maryland, northern Virginia and Washington, D. C. One- to- four family residential mortgage lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. Declines in real estate values could cause some of our residential mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral. We may be subject to certain risks related to originating and selling mortgage loans. When mortgage loans are sold, it is customary to make representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. Whole loan sale agreements require the repurchase or substitution of mortgage loans in the event we breach any of these representations or warranties. In addition, there may be a requirement to repurchase mortgage loans as a result of borrower fraud or in the event of early payment default of the borrower on a mortgage loan. We receive a limited number of repurchase and indemnity demands from purchasers as a result of borrower fraud and early payment default of the borrower on mortgage loans. If repurchase and indemnity demands increase materially, our results of operations could be adversely affected. Any delays in our ability to foreclose on delinquent mortgage loans may negatively impact our business. The origination of mortgage loans occurs with the expectation that, if the borrower defaults, the ultimate loss would be mitigated by the value of the collateral that secures the mortgage loan. The ability to mitigate the losses on defaulted loans depends upon the ability to promptly foreclose upon the collateral after an appropriate cure period. The length of the foreclosure process depends on state law and other factors, such as the volume of foreclosures and actions taken by the borrower to stop the foreclosure. Any delay in the foreclosure process will adversely affect us by increasing the expenses related to carrying such assets, such as taxes, insurance, and other carrying costs, and expose us to losses as a result of potential additional declines in the value of such collateral. Risks Related to our Trust and Wealth Management Business Our trust and wealth management fees may decrease as a result of poor investment performance, in either relative or absolute terms, which could decrease our revenues and net earnings. Our trust and wealth management businesses derive a significant amount of their revenues from investment management fees based on assets under management. Our ability to maintain or increase assets under management is subject to a number of factors, including investors' perception of our past performance, in either relative or absolute terms, general market and economic conditions, and competition from other investment management firms. A decline in the fair value of the assets under management would decrease our trust and wealth management fee income. Investment performance is one of the most important factors in retaining existing clients and competing for new trust and wealth management clients. Poor investment performance could reduce our revenues and impede the growth of our trust and wealth management business in the following ways: existing clients may withdraw funds from our trust and wealth management business in favor of better performing products or firms; asset- based management fees could decline from a decrease in assets under management; our ability to attract funds from existing and new clients might diminish; and our portfolio managers may depart, to join a competitor or otherwise. Even when market conditions are generally favorable, our investment performance may be adversely affected by the investment style of our portfolio managers and the particular investments that they make or recommend. To the extent that our future investment performance is perceived to be poor in either relative or absolute terms, the revenues and profitability of our trust and wealth management business will likely be reduced and our ability to attract new clients will likely be impaired. Our investment management contracts are terminable without cause and on relatively short notice by our clients, which makes us vulnerable to short- term declines in the performance of the securities under our management. Like most wealth management businesses, the investment advisory contracts we maintain with our clients are typically terminable by the client without cause upon less than 30 days' notice. As a result, even short- term declines in the performance of the accounts that we manage, which can result from factors outside our control, such as adverse changes in general market or economic conditions or the poor performance of some of the investments we have recommended to our clients, could lead some of our clients to move assets under our management to other investment advisors that have investment product offerings or investment strategies different than ours. A decline in assets under management, and a corresponding decline in investment management fees, would adversely affect our results of operations. The wealth management business is heavily regulated, and the regulators have the ability to limit or restrict our activities and impose fines or suspensions on the conduct of our business. The wealth management business is highly regulated, primarily at the federal level. The failure of our subsidiaries that are registered investment advisors to comply with applicable laws or regulations could result in fines, suspensions of individual employees or other sanctions including revocation of such subsidiaries' registration as an investment adviser. Changes in the laws or regulations governing our wealth management business could have a material adverse impact on our business, financial condition and results of operations. Strategic and Other Risks Combining acquired businesses may be more difficult, costly or time **-** consuming than expected and the anticipated benefits and cost savings of acquisitions may not be realized. The success of our mergers and acquisitions, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate the acquired business in a manner that permits growth opportunities and does not materially disrupt existing customer relations nor result in decreased revenues due to loss of customers. It is possible that the integration process could result in the loss of key employees, the disruption of either company' s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company' s ability to maintain relationships with clients, customers, depositors, employees and other constituents or to achieve the anticipated benefits and cost savings of the transaction. The loss of key employees could adversely affect our ability to successfully conduct our business, which could have an adverse effect on our financial results and the value of our common stock. If we experience difficulties with the integration process, the anticipated benefits of a transaction may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause us to lose customers or cause customers to remove their accounts from us and move their business to competing financial institutions. Integration efforts will also divert management attention and resources. These integration matters could have an adverse effect on us during this transition period and for an undetermined period after completion of a transaction. It is possible that the potential cost savings could turn out to be more difficult to achieve than anticipated. The cost savings estimates also depend on the ability to combine the businesses in a manner that permits those cost savings to be realized. We depend on our executive officers and key personnel to continue the implementation of our long- term business strategy and could be harmed by the loss of their services. We believe that our continued growth and future success will depend in large part on the skills of our management team, as well as on our ability to attract, motivate and retain highly qualified senior and middle management and other skilled employees. The loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our long- term business strategy, our business could suffer and the value of our common stock could be materially adversely affected. Leadership changes will occur from time to time and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. We believe our management team possesses valuable knowledge about the banking industry and our markets and that their knowledge and relationships would be very difficult to replicate. Our success also depends on the experience of our branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively affect our banking operations. Competition for qualified employees is intense, and the process of locating key personnel with the combination of skills, attributes and business relationships required to execute our business plan may be lengthy. The loss of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results of operations. Restrictions on unfriendly acquisitions could prevent a takeover of the Company. Our articles of incorporation and bylaws contain provisions that could discourage takeover attempts that are not approved by our board of directors. The Maryland General Corporation Law also includes provisions that make an acquisition of the Company more difficult. These provisions include super- majority provisions for the approval of certain business combinations and certain provisions relating to meetings of shareholders. Our articles of incorporation also authorize the issuance of additional shares by the board of directors without shareholder approval on terms or in circumstances that could deter a future takeover attempt. These provisions may prevent a future takeover attempt in which the shareholders otherwise might receive a substantial premium for their shares over then- current market prices. Market competition may decrease our growth or profits. We compete for loans, deposits, and investment dollars with other banks and other financial institutions and enterprises, such as securities firms, insurance companies, savings associations, credit unions, mortgage brokers, and private lenders, many of which have substantially greater resources than we possess. Credit unions have federal tax exemptions, which may allow them to offer lower rates on loans and higher rates on deposits than taxpaying financial institutions such as commercial banks. In addition, non- depository institution competitors are generally not subject to the extensive regulation applicable to institutions that offer federally insured deposits. **Banks are facing significant competition from higher- yielding choices, such as Treasury securities and money market funds, which has pushed rates higher.** Other institutions may have other competitive advantages in particular markets or may be willing to accept lower profit margins on certain products. These differences in resources, regulation, competitive advantages, and business strategy create a competitive landscape that may decrease our net interest margin, increase our operating costs, and make it harder to compete profitably. Operational Risks The high volume of transactions processed by us exposes us to significant operational risks. We rely on the ability of our employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from our operations, including, but not limited to, the risk of fraud by employees or outside persons, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of our internal control system and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulations, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. A breakdown in our internal control system, improper operation of systems or improper employee actions could result in material financial loss, the imposition of regulatory action, and damage to our reputation. Failure to keep up with technological change in the financial services industry could have a material adverse effect on our competitive position or profitability. The financial services industry is 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 customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological changes affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations. Our risk management framework may not be effective in mitigating risks and / or losses to us. Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate, operational and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk of loss to us. If our risk management framework is not effective, we could suffer unexpected losses and our business, financial condition, or results of operations could be materially and adversely affected. We also be subject to potentially adverse regulatory consequences. Our information systems may experience an interruption or security breach. We rely heavily on communications and information systems to conduct our business. We, our customers, and other financial institutions with which we interact, are subject to ongoing, continuous attempts to penetrate key systems by individual hackers, organized criminals, and in some cases, state- sponsored organizations. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems, misappropriation of funds, and theft of proprietary or customer data. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, require us to incur additional expense, or expose us to civil litigation and possible financial liability **, any of which could have a material adverse effect on our business, financial condition and results of operations** . Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer. In the ordinary course of our business, we collect and store sensitive data ~~, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees,~~ in our third- party data centers and on our networks **, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees** . The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite the security measures we have implemented to help ensure data security and compliance with applicable laws, rules and regulations, which include firewalls, regular penetration testing and other measures, our facilities and systems, and those of our third- party service providers and vendors, may be vulnerable to cyber- attacks, security breaches, ransomware, unauthorized activity and access, malicious code, acts of vandalism, computer viruses, theft of data, misplaced or lost data, fraud, misconduct or misuse, social engineering attacks and denial of service attacks, phishing attacks, programming or human errors, physical break- ins, or other disruptions, any of which could result in **critical data becoming inaccessible or** the loss or disclosure of confidential or personal client or employee information or our own proprietary information. Any such loss or disclosure of confidential information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations and the services we provide to customers, damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business, revenues and competitive position. We are subject to laws regarding the privacy, information security and protection of personal information and any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our business, financial condition and earnings. Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to the Gramm- Leach- Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with non- affiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to " opt out " of any information sharing by us with non- affiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal laws and regulations impose data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations can increase costs. Furthermore, we may not be able to ensure that all of our clients, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused (in situations where, for example, such information was erroneously provided to parties who are not permitted to have the information, or where such information was intercepted or otherwise compromised by third parties), we could be exposed to litigation or regulatory sanctions under personal information laws and regulations. Concerns regarding the effectiveness of our measures to safeguard personal information, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers for our products and services and thereby reduce our revenues. Accordingly, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our business, financial condition and earnings. Our reliance on third- party vendors could expose us to additional cyber risk and liability. The operation of our business involves outsourcing ~~of~~ certain business functions and reliance on third- party providers, which may result in transmission and maintenance of personal, confidential, and proprietary information to and by such vendors. Although we require third- party providers to maintain certain levels of information security, such providers **may experience** ~~remain vulnerable to~~ breaches, unauthorized access, misuse, computer viruses, or other malicious attacks that could ultimately compromise our sensitive information. Although we contract to limit our liability in connection with attacks against third- party providers, we remain exposed to risk of loss associated with such vendors. We outsource certain aspects of our data processing to certain third- party providers, which may expose us to additional risk. We outsource certain key aspects of our data processing to certain third- party providers. While we have selected these third- party providers carefully, we cannot control their actions. If our third- party providers encounter difficulties, including those that result from their failure to provide services for any reason or their poor performance of services, or if we have difficulty in communicating with them, our ability to adequately process and account for customer transactions could be affected, and our business operations could be adversely impacted. Replacing these third- party providers could also entail significant delay and expense. Our third- party providers may **experience** ~~be vulnerable to~~ unauthorized access, computer viruses, phishing schemes and other security breaches. Threats to information security also exist in the processing of customer information through various other third- party providers and their personnel. We may be required to expend significant additional resources to protect against the threat of such security breaches and computer viruses, or to alleviate problems caused by such security breaches or viruses. To the extent that the activities of our third- party providers or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us claims, regulatory scrutiny, litigation and other possible liabilities. We are dependent on our information technology and telecommunications systems; third- party service providers and systems failures, interruptions or breaches of security could have an adverse effect on our financial condition and results of operations. Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems third- party service providers. We outsource many of our major systems, such as data processing and deposit processing systems. The failure of these systems, or the termination of a third- party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third- party systems, we could experience service denials if demand for such services exceeds capacity or such third- party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and / or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. In addition, we provide our customers the ability to bank remotely, including online over the internet **and through mobile banking applications** . The secure transmission of confidential information is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. Further, we outsource some of the data processing functions used for remote banking, and accordingly we are dependent on the expertise and performance of our third- party providers. To the extent that our activities, the activities of our customers, or the activities of our third- party service providers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation, results of operations and ability to attract and maintain customers and businesses. In addition, a security breach could also subject us **to** additional regulatory scrutiny, expose us to civil litigation and possible financial liability and cause reputational damage **. We are at risk of increased losses from fraud. Fraudulent activity that may be committed against us or our customers may result in financial losses or increased costs to us. Criminals are committing fraud at an increasing rate and are using more sophisticated techniques. Such fraudulent activity has taken many forms, ranging from wire fraud, debit card fraud, check fraud, mechanical devices attached to ATMs, social engineering and phishing attacks to obtain personal information, business email compromise, or impersonation of clients through the use of falsified or stolen credentials. While we have policies and procedures, as well as fraud detection tools, designed to prevent fraud losses, such policies, procedures and tools may be insufficient to accurately detect and prevent fraud. A significant increase in fraudulent activities could lead us to take additional steps to reduce fraud risk, which could increase our costs. Fraud losses may materially and adversely affect our business, financial condition, and results of operations** . The adoption of flexible work from home arrangements poses a number of operational risks that could adversely affect our business, financial condition and results of operations. We have adopted flexible work arrangements that permit some employees to work from home full or part time. Having employees conduct their daily work in our offices helps to ensure a level of productivity and operational security that may not be achieved when working remotely for an extended period. Remote work arrangements could strain our technology resources and introduce operational risks, including heightened cybersecurity risk, as remote working environments can be less secure. Over time, remote work arrangements may decrease the ability to maintain our culture, which is integral to our success. Additionally, a remote working environment may impede our ability to undertake new business projects and foster a creative environment. The prevalence of remote work arrangements has expanded competition among employers and may put us at a disadvantage if we are unable or unwilling to offer the same level of flexibility. Failure to attract and retain the desired workforce could have a negative effect on our business, financial condition and results of operations. Risks Related to our Financial Statements Changes in accounting standards or interpretation of new or existing standards may affect how we report our financial condition and results of operations. From time to time the Financial Accounting Standards Board (" FASB ") and the SEC change accounting regulations and reporting standards that govern the preparation of our financial statements. In addition, the FASB, SEC, bank regulators and the outside independent auditors may revise their previous interpretations regarding existing accounting regulations and the application of these accounting standards.

These changes can be difficult to predict and can materially impact how to record and report our financial condition and results of operations. In some cases, there could be a requirement to apply a new or revised accounting standard retroactively, resulting in the restatement of prior period financial statements. The Current Expected Credit Loss accounting standard could require us **to** increase our allowance for credit losses and may have a material adverse effect on our financial condition and results of operations. Accounting Standard Update (" ASU") No. 2016- 13, Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which became effective for us on January 1, 2020, requires earlier recognition of expected credit losses on loans and certain other instruments, compared to the previously applied incurred loss model. CECL requires advanced modeling techniques, heavy reliance on assumptions, and dependence on historical data that may not accurately forecast losses. CECL can result in greater volatility in the level of the allowance for credit losses, depending on various factors and assumptions applied in the model, such as the forecasted economic conditions in the foreseeable future and loan payment behaviors. Any increase in the allowance for credit losses, or expenses incurred to determine the appropriate level of the allowance for credit losses, can have an adverse effect on our financial condition and results of operations. Impairment in the carrying value of goodwill and other intangible assets could negatively impact our financial condition and results of operations. At December 31, ~~2022~~ **2023** , goodwill and other intangible assets totaled $ ~~383~~ **391** . ~~3~~ **7** million. Goodwill represents the excess of purchase price paid over the fair value of the net assets acquired in a business combination ~~. The estimated fair values of the acquired assets and assumed liabilities may be subject to refinement as additional information relative to closing date fair values becomes available and may result in adjustments to goodwill within the first 12 months following the closing date of the acquisition~~ . Goodwill and other intangible assets are reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. A significant decline in expected future cash flows, a material change in interest rates, a significant adverse change in the business climate, slower growth rates or a significant or sustained decline in the price of our common stock may necessitate taking charges in the future related to the impairment of goodwill and other intangible assets. The amount of any impairment charge could be significant and could have a material adverse impact on our financial condition and results of operations. Our accounting estimates and risk management processes rely on analytical and forecasting models. The processes that we use to estimate our allowance for credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depend upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models that we use for interest rate risk and asset- liability management are inadequate, we incur increased or unexpected losses upon changes in market interest rates or other market measures **. Inaccurate deposit assumptions could render model results unreliable and may mask our true interest rate risk and liquidity risk profiles. Inaccurate model projections and stresses may result in higher- than- forecast funding costs and potentially unexpected liquidity shortfalls** . If the models that we use for determining our allowance for expected credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge- offs. If the models that we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations. Regulatory Risks We operate in a highly regulated industry, and compliance with, or changes to, the laws and regulations that govern our operations may adversely affect us. The banking industry is heavily regulated. Banking regulations are primarily intended to protect the federal deposit insurance fund and depositors, not shareholders. Sandy Spring Bank is subject to regulation and supervision by the Board of Governors of the Federal Reserve System and by Maryland banking authorities, as well as the CFPB. Sandy Spring Bancorp is subject to regulation and supervision by the Board of Governors of the Federal Reserve System. Federal and state laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and sound financial condition, permissible types, amounts and terms of loans and investments, permissible non- banking activities, the level of reserves against deposits and restrictions on dividend payments. These and other restrictions limit the manner in which we conduct business and obtain financing. The laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. Such changes may, among other things, increase the cost of doing business, limit the types of financial services and products we offer, or affect the competitive balance between banks and other financial institutions. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance is given that our compliance policies and procedures will be effective. Failure to comply (or to ensure that our agents and third- party service providers comply) with laws, regulations, or policies could result in enforcement actions or sanctions by regulatory agencies, civil money penalties, and / or reputational damage, which could have a material adverse effect on our business, financial condition, or results of operations. The burdens imposed by federal and state regulations put banks at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies, and leasing companies. Our ability to pay dividends is limited by law. The ability to pay dividends to shareholders largely depends on Bancorp' s receipt of dividends from the Bank. The amount of dividends that the Bank may pay to Bancorp is limited by federal laws and regulations. The ability of the Bank to pay dividends is also subject to its profitability, financial condition and cash flow requirements. There is no assurance that the Bank will be able to pay dividends to Bancorp in the future. In addition, as a bank holding company, Bancorp' s our ability to declare and pay dividends is dependent on federal regulatory considerations, including limits on dividends should we not maintain the required capital conservation buffer and guidelines of the Federal Reserve regarding capital adequacy and dividends. It is the policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization’ s expected future needs, asset quality and financial condition. We may limit the payment of dividends, even when the legal ability to pay them exists, in order to retain earnings for other uses. Federal banking agencies periodically conduct examinations of our business, including compliance with laws and regulations; the failure to comply with any supervisory actions to which we are or becomes subject as a result of such examinations could adversely affect us. As part of the bank regulatory process, the Federal Reserve and the Maryland banking authorities periodically conduct comprehensive examinations of our business, including compliance with laws and regulations. If, as a result of an examination, either of these banking agencies were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, asset sensitivity, risk management or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. The Federal Reserve may enjoin “ unsafe or unsound ” practices or violations of law, require affirmative actions to correct any conditions resulting from any violation or practice, issue an administrative order that can be judicially enforced, direct an increase in our capital levels, restrict our growth, assess civil monetary penalties against us or our officers or directors, and remove officers and directors. The FDIC also has authority to review the Bank’ s financial condition, and, if the FDIC were to conclude that the Bank or its directors were engaged in unsafe or unsound practices, that the Bank was in an unsafe or unsound condition to continue operations, or that the Bank or the directors violated applicable law, the FDIC could move to terminate the Bank’ s deposit insurance. If we become subject to such regulatory actions, our business, financial condition, earnings and reputation could be adversely affected. We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act (" CRA") and fair lending laws, and the failure to comply with these laws could lead to a wide variety of sanctions. The CRA requires the Federal Reserve to assess our performance in meeting the credit needs of the communities we serve, including low- and moderate- income neighborhoods. If the Federal Reserve determines that we need to improve our performance or are in substantial non- compliance with CRA requirements, various adverse regulatory consequences may ensue. In addition, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The CFPB, the U. S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. The CFPB was created under the Dodd- Frank Act to centralize responsibility for consumer financial protection with broad rule- making authority to administer and carry out the purposes and objectives of federal consumer financial laws with respect to all financial institutions that offer financial products and services to consumers. The CFPB is also authorized to prescribe rules applicable to any covered person or service provider, identifying and prohibiting acts or practices that are “ unfair, deceptive, or abusive ” in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The ongoing broad rule- making powers of the CFPB have potential to have a significant impact on the operations of financial institutions offering consumer financial products or services. A successful regulatory challenge to an institution’ s performance under the CRA, fair lending laws or regulations, or consumer lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution’ s performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations. Additionally, state attorneys general **can** ~~have indicated that they intend to take a more active role in enforcing~~ **enforce** consumer protection laws, including through use of Dodd- Frank Act provisions that authorize state attorneys general to enforce certain provisions of federal consumer financial laws and obtain civil money penalties and other relief available to the CFPB. In conducting an investigation, the CFPB or state attorneys general may issue a civil investigative demand requiring a target company to prepare and submit, among other items, documents, written reports, answers to interrogatories, and deposition testimony. If we become subject to such **an** investigation, the required response could result in substantial costs and a diversion of the attention and resources of our management. We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti- money laundering statutes and regulations. The federal Bank Secrecy Act, PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti- money laundering programs and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U. S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and engages in coordinated enforcement efforts with the individual federal banking regulators, as well as the U. S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. Federal and state bank regulators also focus on compliance with **the** Bank Secrecy Act and anti- money laundering regulations. If our policies, procedures and systems are deemed to be deficient or the policies, procedures and systems of the financial institutions that we acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans, which would negatively impact our business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. General Risk Factors Changes in U. S. or regional economic conditions could have an adverse effect on our business, financial condition and results of operations. Our business activities and earnings are affected by general business conditions in the United States and in our local market area. These conditions include short- term and long- term interest rates, inflation, unemployment levels, consumer confidence and spending, fluctuations in both debt and equity capital markets, and the strength of the economy in the United States generally and, in particular, our market area. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; or a combination of these or other factors. Economic pressure on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing and savings habits. Elevated levels of unemployment, declines in the values of real estate, extended federal government shutdowns, or other events that affect household and / or corporate incomes could impair the ability of our borrowers to repay their loans in accordance with their terms and reduce demand for banking products and services. Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks. Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social and governance (" ESG ") practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG **-** related compliance costs could result in increases ~~to~~ **in** our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Additionally, concerns over the long- term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may 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, among other impacts. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. 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 may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior. Climate change could have a material adverse impact on us and our clients. We are exposed to risks of physical impacts of climate change and risks arising from the process of transitioning to a less carbon- dependent economy. Climate change- related physical risks include increased severity and frequency of adverse weather events, such as extreme storms and flooding, and longer- term shifts in climate patterns, such as rising temperatures and sea levels and changes in precipitation amount and distribution. Such physical risks may have adverse impacts on us, both directly on our business operations and as a result of impacts on our borrowers and counterparties, such as declines in the value of loans, investments, real estate and other assets, disruptions in business operations and economic activity, including supply chains, and market volatility. Transition risks include changes in regulations, market preferences and technologies toward a less carbon- dependent economy. The possible adverse impacts of transition risks include asset devaluations, increased operational and compliance costs, and an inability to meet regulatory or market expectations. For example, we may become subject to new or heightened regulatory requirements and stakeholder expectations regarding climate change, including those relating operational resiliency, disclosure and financial reporting. **The** ~~We intend to enhance our governance of climate change- related risks and integrate climate considerations into our risk governance framework. Nonetheless, the~~ risks associated with climate change are rapidly changing and evolving, making them difficult to assess due to limited data and other uncertainties. We could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to our response to climate change and our climate change strategy, which, in turn, could have a material negative impact on our business, results of operations, and financial condition. The market price for our stock may be volatile. The market price for our common stock has fluctuated, ranging between $ ~~52~~ **35** . ~~04~~ **59** and $ ~~32~~ **19** . ~~33~~ **66** per share during the 12 months ended December 31, ~~2022~~ **2023** . The overall market and the price of our common stock may experience volatility. There may be a significant impact on the market price for the common stock due to, among other things: • past and future dividend practice; • financial condition, performance, creditworthiness and prospects; • quarterly variations in operating results or the quality of our assets; • operating results that vary from the expectations of management, securities analysts and investors; • changes in expectations as to the future financial performance; • announcements of innovations, new products, strategic developments, significant contracts, acquisitions and other material events by us or our competitors; • the operating and securities price performance of other companies that investors believe are comparable to us; • future sales of our equity or equity- related securities; • the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally; and • changes in global financial markets and economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility or other geopolitical, regulatory or judicial events. Future sales of our common stock or other securities may dilute the value and adversely affect the market price of our common stock. In many situations, our board of directors has the authority, without any vote of our shareholders, to issue shares of authorized but unissued stock, including shares authorized and unissued under our equity incentive plans. In the future, additional securities may be issued, through public or private offerings, in order to raise additional capital. Any such issuance would dilute the percentage of ownership interest of existing shareholders and may dilute the per share book value of our common stock. Changes in tax laws and regulations and differences in interpretation of tax laws and regulations may negatively impact our financial performance. From time to time, local, state or federal tax authorities change tax laws and regulations, which may result in a decrease or increase to our net deferred tax asset. Local, state or federal tax authorities may interpret laws and regulations differently than we do and challenge tax positions that we have taken on our tax returns. This may result in differences in the treatment of revenues, deductions, credits and / or differences in the timing of these items. The differences in treatment may result in payment of additional taxes, interest, penalties or litigation costs that could have a material adverse effect on our operating results. Negative public opinion regarding us or failure to maintain our reputation in the communities we serve could adversely affect our business and prevent us from growing our business. Our reputation within the communities we serve is critical to our success. We believe we have set ourselves apart from our competitors by building strong personal and professional relationships with our customers and being an active member of the communities we serve. As such, we strive to enhance our reputation by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve and delivering superior service to our customers. If our reputation is negatively affected by the actions of our employees or otherwise, we be less successful in attracting new talent and customers or may lose existing customers, and our business, financial condition and earnings could be adversely affected. Further, negative public opinion can expose us to litigation and regulatory action and delay and impede our efforts to implement our growth strategy, which could further adversely affect our business, financial condition and results of operations.