Risk Factors Comparison 2024-03-14 to 2023-03-16 Form: 10-K

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The following is a summary of the material risks we are exposed to in the course of our business activities. The below summary does not contain all of the information that may be important to you, and you should read the below summary together with the more detailed discussion of risks set forth under " Item 1A. Risk Factors, " as well as under " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations. " Risks Related to **Our Strategy ● The effects of** the **prevailing economic environment on successfully implementing and executing a new strategic plan or achieving a successful strategic transaction ● The impact of the prolonged suspension of our residential loan origination function coupled with the prior termination of our** Advantage Loan Program ~~● The results of investigations of us by the U. S. Department of Justice (the " DOJ ") and the SEC ● The costs of legal proceedings, including settlements and judgments ● The effects of the termination of our Advantage Loan Program ● Potential claims for advancement and indemnification from certain directors and officers related to the governmental investigations and potential litigation against us or counterclaims by our controlling shareholder~~ Risks Related to the Economy and Financial Markets ● The effects of fiscal and monetary policies and regulations of the federal government and Board of Governors of the Federal Reserve System (the " FRB ") **● Macroeconomic and geopolitical challenges and uncertainties affecting the stability of regions and countries around the globe and the effect of changes in the economic and political relations between the U. S. and other nations** ● The disruptions to the economy and the U. S. banking system caused by recent bank failures ● Changes in the state of the general economy and the financial markets and their effects on the demand for our loan services ● The effects of fiscal challenges facing the U. S. government **Risks** ~~● The economic impact, and governmental and regulatory actions to mitigate the impact, of the disruptions created by the coronavirus disease 2019 (" COVID- 19 ") pandemic ● Macroeconomic and geopolitical challenges and uncertainties affecting the stability of regions and countries around the globe and the effect of changes in the economic and political relations between the U. S. and other nationsRisks~~ Related to Credit ● The credit risks of lending activities, including changes in the levels of delinquencies and nonperforming assets and changes in the financial performance and / or economic condition of our borrowers, including the effects of continued inflation and the possibility of a recession ● Our concentration in residential real estate loans ● The geographic concentration of our loans and operations in California ● The potential insufficiency of our allowance for **credit losses to cover current expected credit losses in our** loan ~~losses~~ **portfolio Risks Related** to ~~cover losses~~ **Interest Rates ● Negative impacts of future changes** in **interest rates Risks Related to Liquidity ● Our ability to ensure we have adequate liquidity ● Our ability to obtain external financing on favorable terms,** ~~our~~ **or at all, in the future ● The quality of our real estate** ~~loan~~ **loans** ~~portfolioRisks~~ **and our ability to sell our loans to the secondary market ● Our deposit account balances that exceed the Federal Deposit Insurance Corporation (the " FDIC ") insurance limits may expose the Bank to enhanced liquidity riskRisks Related to the Advantage Loan Program ● Compliance with the Plea Agreement and the effect of the Plea Agreement on our reputation and ability to raise capital ● The costs of cooperating with ongoing governmental investigations of certain individuals ● The exhaustion of our directors and officers insurance policies (" D & O Insurance ") covering various matters related to our former Advantage Loan Program ● The costs of legal proceedings, including settlements and judgments ● Potential claims for advancement and indemnification from certain directors and officers related to the governmental investigations and potential litigation against us or counterclaims by our controlling shareholderRisks** Related to Our Highly Regulated Industry ● The extensive laws and regulations affecting the financial services industry, ~~including the qualified thrift lender (" QTL ") test,~~ the continued effects of the Dodd- Frank Wall Street Reform and Consumer Protection Act (the " Dodd- Frank Act ") and related rulemaking, changes in banking and securities laws and regulations and their application by our regulators and the Community Reinvestment Act (the " CRA ") and fair lending laws **, including as a result of the recent bank failures** ● Failure to comply with banking laws and regulations ● Enforcement priorities of the federal bank regulatory agenciesRisks Related to Competition ● Strong competition within our market areas or with respect to our products and pricing ● Our reputation as a community bank and the effects of continued negative publicity ● Our ability to keep pace with technological change and introduce new products and services ● Consumers deciding not to use banks to complete their financial **transactionsOther** ~~transactionsRisks Related to Interest Rates ● Negative impacts of future changes in interest rates ● Uncertainty relating to the determination and discontinuation of the London Interbank Offered Rate (" LIBOR ") 3Risks Related to Liquidity ● Our ability to ensure we have adequate liquidity ● Our ability to obtain external financing on favorable terms, or at all, in the future ● The quality of our real estate loans and our ability to sell our loans to the secondary marketOther~~ Risks Related to Our Business ● Our ability to attract and retain key employees and other qualified personnel ● Our operational, technological and organizational infrastructure, including the effectiveness of our enterprise risk management framework at mitigating risk and loss to us ● Operational risks from a high volume of financial transactions and increased reliance on technology, including risk of loss related to cybersecurity or privacy breaches and the increased frequency and sophistication of cyberattacks ● The operational risk associated with third- party vendors and other financial institutions ● The ability of customers and counterparties to provide accurate and complete information and the soundness of third parties on which we rely ● Our employees' adherence to our internal policies and ~~procedures~~ **procedures4** ● The effects of natural disasters on us and our California borrowers and the adequacy of our business continuity and disaster recovery plans ● Environmental, ~~social~~ **Social** and ~~governance~~ **Governance (" ESG ")** matters and their effects on our reputation and the market price of our securities ● Climate change and related legislative and regulatory initiatives ● Adverse conditions internationally and their effects on our customers ● Fluctuations in securities markets, including changes

to the valuation of our securities portfolio ● The reliance of our critical accounting policies and estimates, including for the allowance for ~~loan~~ **credit** losses, on analytical and forecasting techniques and models ● Other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services and the other risks described elsewhere herein or in the documents incorporated by reference herein and our other filings with the SECRisks Related to Governance Matters ● The Seligman family' s ability to influence our operations and control the outcome of matters submitted for shareholder approval ● Our ability to pay dividendsThe foregoing risk factors should not be construed as an exhaustive list and should be read in conjunction with the cautionary statements that are included under " Cautionary Note Regarding Forward- Looking Statements " above and elsewhere in this Annual Report on Form 10- K, as well as the items set forth under " Item 1A. Risk Factors. " ~~4PART~~ **5PART** IITEM 1. BUSINESSOVERVIEWGeneralWe are a unitary **thrift** ~~savings and loan~~ holding company incorporated in 1989 and headquartered in Southfield, Michigan ~~. Our~~ **and our** primary business is the operation of our wholly- owned subsidiary, Sterling Bank ~~,~~ **.** ~~through~~ **Through** ~~which~~ **Sterling Bank,** we **currently** ~~have historically originated~~ - **originate** ~~residential and~~ commercial real estate loans ~~, construction~~ **and commercial and industrial** loans, ~~commercial lines of credit~~ and ~~other consumer loans and provided~~ - **provide** deposit products, consisting primarily of checking, savings and term certificate accounts. ~~Sterling~~ **Historically, the Company' s largest asset class has been residential mortgage loans; however, the** Bank **suspended all residential loan originations in early 2023. The Bank also engages in mortgage banking activities and,** ~~has~~ - **as** ~~28~~ **such, acquires, sells and services residential mortgage loans. The Bank operates through a network of 27** branches ~~, including 20~~ **of which 25** branches **are located** in the San Francisco **and** ~~area, six in greater~~ Los Angeles, ~~one~~ **California metropolitan areas with the remaining** ~~branch~~ **branches located** in New York ~~City~~ **, New York** and **Southfield,** ~~our headquarters branch in~~ Michigan **. In August 2023, our election to become a covered savings association under the Home Owners' Loan Act (" HOLA ") became effective, allowing us to operate as a commercial bank without being subject to the requirement that a savings institution maintain at least 65 % of its portfolio assets in certain qualified thrift investments (primarily residential mortgages and related investments, including certain mortgage- backed and related securities) in at least nine months out of each 12- month period as required by the qualified thrift lender (" QTL ") test under HOLA. This will allow greater flexibility on the future composition of our balance sheet. The Company is currently performing an evaluation of its alternatives for new banking products and services** . Our results of operations are dependent primarily on our net interest income, which is the difference between the interest earned on our assets, primarily our loan and securities portfolios, and the interest paid on our deposits and borrowings. Our net income is also affected by our provision for ~~loan~~ **credit** losses, non- interest income, non- interest expense (general and administrative expense) and income tax expense. Non- interest income includes service charges and fees; net gain on sales of loans and securities; mortgage servicing fee income, net; income from company- owned life insurance ~~,~~ **;** and other non- interest income. General and administrative expense consists of salaries and employee benefits expense; occupancy and equipment expense; federal deposit insurance assessments; data processing expense; professional fees; and other non- interest expenses. Our net income is also significantly affected by general economic and competitive conditions, particularly changes in market interest rates and U. S. Treasury yield curves, government policies and actions of regulatory authorities. Our ~~StrategyOur~~ **StrategyOver** ~~historical lending strategy had been to offer a range of loan products in the residential and commercial real estate markets, primarily in California. The majority of our loan portfolio consists of residential real estate mortgages, with the remainder consisting of commercial real estate loans, construction loans, and commercial lines of credit. Over~~ the past ~~three~~ **several** years, we have been cooperating with formal investigations by the Office of the Comptroller of the Currency (the " OCC "), **the U. S. Department of Justice (the "** DOJ **")** and **the** SEC related to a previous residential loan product referred to as the Advantage Loan Program. ~~Although we discontinued originating loans under the Advantage Loan Program over three years ago, we continued to originate residential real estate loans, primarily conforming loans, for portfolio or for sale to the secondary market, albeit at a significantly reduced volume.~~ During 2022, we entered into a Consent Order with the OCC ~~,~~ that resolved the OCC' s investigation, and the OCC terminated the **formal agreement between the Bank and the OCC entered into on June 18, 2019 (the "** OCC Agreement **")** , which marked the completion of certain remediation requirements. ~~During 2022~~ **In the same year** , we also settled a shareholder derivative action filed against us, under which we agreed to adopt and implement substantial corporate governance reforms, many of which were already underway at the time. We also improved our credit profile and metrics through the sale of several pools of loans. **In July** ~~5On March 15,~~ 2023, **we received final court approval of** the ~~Company entered into a~~ Plea Agreement (the " Plea Agreement ") **entered into** with the DOJ, resolving the DOJ' s investigation of the Bank and the Company relating to the Bank' s former residential loan product, marketed as the Advantage Loan Program, and related matters. ~~Under~~ **In addition, in June 2023,** the ~~Plea Agreement~~ **Company received a letter from the Division of Enforcement of the SEC informing the Company that the Division of Enforcement had concluded its investigation of the Company and did not intend to recommend an enforcement action by the SEC against the Company. With the resolution of the various government investigations that targeted the Bank and the Company, we commenced a full evaluation of our business and strategic alternatives. 6We have engaged a consulting firm to help us develop a comprehensive strategic plan that we expect will include the incorporation of new banking products and services in light of our new status as a covered savings association. We have not yet established fixed timelines or milestones for the completion of this process, and we expect that any repositioning of the Bank pursuant to the resulting plan will take significant time and expense. As part of the board of directors' strategic planning process** , the Company has ~~agreed~~ **also engaged Keefe, Bruyette & Woods as a financial advisor** to **assist the board** ~~plead guilty to one count~~ of **directors** ~~securities fraud primarily relating~~ to ~~disclosures with respect to~~ **explore and evaluate potential strategic alternatives. Some of the possible strategic alternatives the board of directors may consider are a sale of the Company, a merger or** ~~the~~ **other** ~~Advantage Loan Program contained in~~ **business combination, a sale of all or a material portion of** the Company' s **assets** ~~2017 IPO Registration Statement~~ and **a recapitalization** ~~its immediately following Annual~~

~~Reports on Form 10- K filed in March 2018 and March 2019; pay $ 27~~ . **The board** ~~2 million in restitution for the benefit~~ of **directors has met multiple times in 2023** ~~non- insider victim shareholders; further enhance its compliance program and internal controls with respect~~ to **discuss preliminary** ~~securities law compliance; and provide periodic~~ reports **received** ~~to the DOJ with respect to compliance matters. No criminal fine was imposed. The Company' s obligations under the Plea Agreement are generally effective for three years. This resolution releases the Company, as well as the Bank,~~ from ~~further prosecution for securities fraud and underlying mortgage fraud in~~ the **consulting firm** ~~Advantage Loan Program. The Plea Agreement remains subject to final court approval. Although the Company~~ and **financial advisor** ~~the Bank remain under investigation by the SEC related to the Advantage Loan Program~~ , **and** ~~the Company~~ currently believes that **prevailing economic conditions and** the ~~SEC' s investigation~~ **lack of a robust capital market for community banks create significant limitations on pursuing a new strategic direction. The creation of new banking products and services focused on the California market** will ~~not result in~~ **be expensive to build out** ~~an~~ **and** ~~enforcement action against~~ **challenging to recruit and retain appropriate additional personnel to pursue and support. Further,** the Company **would require access to capital markets that would allow the Company to efficiently raise capital to cover the significant expense of a new platform buildout without unreasonable dilution of the existing shareholder base. Accordingly, the board of directors has elected to be patient and wait for market conditions to improve before pursuing these strategies and will continue to evaluate new banking products and services alternatives** . See " Item 1A. Risk Factors — Risks Related to **Our Strategy** ~~the Advantage Loan Program — Pending government investigations may result in adverse findings, reputational damage, the imposition of sanctions and other negative consequences that could adversely affect our financial condition and future operating results~~ . " **The Company will evaluate further balance sheet strategies** ~~With the resolution of the DOJ investigation in the first quarter of 2023, it may be possible for us~~ to **manage** ~~begin to project a viable growth plan. However, the current rising~~ interest rate and ~~inflationary environment~~ **liquidity risk with the primary goal of preserving capital. We** also ~~practically limits the few opportunities we have for meaningful loan production. Compounding our loan growth challenges, our service provider to whom we outsourced our residential loan origination function in 2022 exited the business, and we are actively exploring a replacement provider. Accordingly, for 2023 we~~ remain focused on our efforts to de- risk our balance sheet, including maintaining our focus on credit quality ~~,~~ and exploring alternative sources of loan production ~~and~~ **, which could include** purchasing ~~additional~~ loan pools **and loan participations** . SubsidiariesIn addition to the Bank, the Company has one **indirect** subsidiary, which is inactive. OUR BUSINESSLending ActivitiesOne- to- Four Family Residential Loans. **We previously originated residential loans. In May 2022, the Company outsourced the residential loan origination function to a third- party residential lending service provider. As a result, the Company reduced its workforce in its in- house mortgage origination area. In November 2022, the service provider notified the Company of its intention to cease conducting business. The Company explored possible other service providers but decided to suspend the origination of residential lending in early 2023. We may continue to purchase loan pools and loan participations.** The origination of mortgage loans to enable borrowers to purchase or refinance existing homes **was** historically ~~was~~ our most significant loan origination activity **,** and such loans continue to comprise the largest portion of our loan portfolio. We ~~offer~~ **offered** fixed- rate and adjustable- rate mortgage loans with terms of up to 30 years. Historically, our most significant product was our Advantage Loan Program, **and** ~~but as a result of the termination of the Advantage Loan Program at the end of 2019, our total residential loan production continues to be significantly below historical levels. Nevertheless,~~ this former loan product — one-, three-, five- or seven- year adjustable- rate mortgages that required down payments of at least 35 % — continues to be the largest portion of our gross loans, comprising ~~63~~ **58** % of our residential loans at December 31, ~~2022~~ **2023** . An internal review of this program indicated that certain employees engaged in misconduct in connection with the origination of a significant number of such loans, including with respect to **the** verification of income, the amount of income reported for borrowers, reliance on third parties, and related documentation, which led to the termination of the program **. We discontinued originating loans under the Advantage Loan Program at the end of 2019** . For additional information related to the risks of the Advantage Loan Program, see " Item 1A. Risk Factors — Risks Related to the Advantage Loan Program. " ~~To~~ **7To** avoid the uncertainty of audits and inquiries by third- party investors in Advantage Loan Program loans sold to the secondary market, beginning at the end of the second quarter of 2020, we commenced making offers to each of those investors to repurchase 100 % of our previously sold Advantage Loan Program loans. As of December 31, ~~2022~~ **2023** , we had repurchased such loans with an aggregate principal balance of $ 309. 1 million and had outstanding commitments to repurchase an additional $ ~~21~~ **16** . ~~3~~ **9** million through July 2025. At December 31, ~~2022~~ **2023** , the unpaid principal balance of residential mortgage loans sold under the Advantage Loan Program that were subject to potential repurchase obligations for breach of representations and warranties, including loans subject to binding repurchase commitments, totaled $ ~~43~~ **33** . ~~3~~ **0** million. **Another significant** ~~6Our residential lending program has recently been suspended since our third- party residential lending service provider to whom we outsourced this function announced its intention to cease conducting business in November 2022, and we are currently evaluating alternative service providers. Until such time as we enter into an agreement with a replacement provider, we have suspended the origination of residential loans, and pending further evaluation of our alternatives, we may discontinue the origination of residential mortgage loans. Among the~~ residential loan ~~products~~ - **product** ~~,~~ we **previously** ~~expect to continue to offer~~ **offered** ~~are~~ **was** our tenant- in- common ~~, or~~ **loans ("** TIC loans **")** , which are similar to traditional co- op loans. Our primary market areas of San Francisco and Los Angeles contain a substantial number of two- to six- unit residential buildings and a large amount of condominium conversions. Through our TIC loan program, we ~~lend~~ **offered loans** to owners of individual units within the building based on their relative ownership share. **At December 31, 2023, we had total outstanding TIC loans of $ 396. 4 million.** Our TIC loans generally ~~consist~~ **consisted** of three-, five- and seven- year adjustable- rate mortgages ~~, with an average balance of approximately $ 525, 000 and total outstanding loans of $ 450. 7 million as of December 31, 2022~~ . We also ~~expect to continue to offer~~ **offered** conventional conforming fixed- rate loans with terms of either 15, 20, or 30 years for mortgages at the Federal Housing Finance Agency limits for those markets where we ~~originate~~

originated loans. The bulk of our conforming mortgage loans ~~are~~ **were** originated with the intent to sell, after which we typically ~~retain~~ **retained** the servicing rights to these loans. In addition, we ~~have~~ **had** a jumbo loan program for residential real estate loans of up to $ 2. 5 million, for which we ~~offer~~ **offered** both fixed and adjustable rates. Across our portfolio, our adjustable- rate mortgage loans are based on a 30- year amortization schedule and generally interest rates and payments adjust annually after a one-, three-, five- or seven- year initial fixed period. Interest rates on our adjustable- rate loans ~~originated prior to March 8, 2021~~ adjust to a rate typically equal to 350 to 450 basis points above the one- year **secured overnight financing rate (" SOFR ") or** ~~LIBOR, and those that were originated after March 8, 2021~~ adjust to a rate based on the U. S. Treasury one **- and five** - year constant maturity Treasury ~~rates. Pursuant to recent federal and New York State legislation, upon the cessation of the publication of the three- month LIBOR~~ rate ~~, currently expected on June 30, 2023, we have determined that our LIBOR-based loans will convert to rates based on the Secured Overnight Financing Rate (" SOFR ")~~. ~~For further discussion, see " Item 1A. Risk Factors — Risks Related to Interest Rates — Uncertainty relating to the LIBOR discontinuation and replacement may adversely affect our results of operations. "~~ Across our residential portfolio, our loan- to- value ratio (defined as current loan amount compared to appraised value at the time of loan origination) was ~~52~~ **51** % as of December 31, ~~2022~~ **2023** . For discussion regarding risks particular to our residential real estate loans, see " Item 1A. Risk Factors — Risks Related to Credit ~~— Changes in economic conditions, including continued inflation and the possibility of a recession, could cause an increase in delinquencies and nonperforming assets, including loan charge offs, which could depress our net income and growth~~ . " Commercial Loans. We offer a variety of commercial loan products, consisting primarily of commercial real estate loans, construction loans and commercial ~~lines of credit~~ **and industrial loans** . The majority of our commercial loans are secured by real estate or other business assets **. Our underwriting practice for commercial loans requires the identification and documentation of the sources of repayment, risks to repayment, mitigating factors and the aggregate exposure of the lending relationship for each commercial loan. We have several levels of lending authority. Lending limits are based on total exposure to the borrower including all extensions of credit, both used and unused, guarantees, co- signatures or endorsements** . Our commercial loans are almost exclusively recourse loans, as we endeavor to secure personal guarantees on each loan we underwrite. Commercial Real Estate Loans. Our commercial real estate loan portfolio includes loans secured by hotels, office, industrial, retail, multifamily and mixed- use properties. We focus on ~~projects~~ **properties** within or contiguous to our branch footprint, focusing on borrowers with income- producing properties, strong cash flow characteristics and strong collateral profiles. **Our loan- to- value policy limit is 75 % for commercial real estate loans. Income producing commercial real estate loans are subject to a minimum debt service coverage ratio at origination which varies by property type.** At December 31, ~~2022~~ **2023 , commercial real estate loans totaled $ 237. 0 million, 43 % of which are secured by multifamily properties. At December 31, 2023** , approximately ~~63~~ **60** % of our commercial real estate loan portfolio consisted of adjustable- rate loans with an average reset of ~~31~~ **25** months ~~. Our loan- to- value policy limits are 75 % for commercial real estate loans. At December 31, 2022 and 2021, commercial real estate loans totaled $ 223. 2 million and $ 254. 9 million, respectively, of which $ 1. 5 million and $ 2. 1 million, respectively, were secured by owner occupied properties. The remainder of our commercial real estate loan portfolio is secured by hotels and office, industrial, retail, multifamily and mixed- use properties, where 36 % of our commercial real estate loans are for multifamily properties~~ . For discussion regarding the risks particular to our commercial real estate loans, see " Item 1A. Risk Factors — Risks Related to Credit ~~— Our commercial real estate loans are subject to credit risks, including changes in operating cash flows from the underlying properties or businesses, that may adversely impact our results of operation and financial condition~~ . " Construction Loans. We previously originated construction loans **in greater frequency, but we currently originate such loans on a limited basis, generally in connection with the Bank' s CRA considerations** . We ~~continue to~~ have $ ~~44~~ **10** . ~~5~~ **4** million of construction loans on our balance sheet at December 31, ~~2022~~ **2023** , which are comprised primarily of residential construction, commercial construction and mixed- use development loans. Interest reserves are generally established on construction loans. **The interest reserve allows the borrower to draw loan funds to pay interest charges on the outstanding balance of the loan when financial condition precedents are met.** These **construction** loans ~~were~~ **are** typically based on the prime rate of interest and ~~had~~ **have** maturities of up to 36 months. **Our most recent** ~~Prior to December 2020, our~~ loan- to- value policy limits ~~were 80~~ **are 70** % for commercial construction loans and ~~65~~ **40** % for land loans ~~, but in December 2020, we reduced these limits to 70 % and 40 %, respectively~~ . ~~For discussion regarding the risks particular to our construction loans, see " Item 1A. Risk Factors — Risks Related to Credit — Our construction loans are subject to a variety of risks that may adversely impact our results of operation and financial condition. " 7Commercial~~ **8Commercial** ~~Lines of Credit~~ **and Industrial Loans** . We also offer commercial **and industrial loans consisting of certain term loans and commercial** lines of credit to businesses and individuals for business purposes. **The commercial and industrial portfolio totaled $ 15. 8 million at December 31, 2023.** These **term loans are secured by inventory, equipment, accounts receivable, other assets and in some instances by commercial real estate properties. These loans are typically extended to finance companies or other non- bank lenders with terms of less than 5 years. Also, our commercial** lines of credit are typically secured by real estate, inventory, equipment, accounts receivable and other assets. **Investment** ~~The total commercial lines of credit portfolio~~ **PortfolioAs of** ~~totaled $ 1. 4 million and $ 0. 4 million at~~ December 31, ~~2022~~ **2023** ~~and 2021, respectively. Investment PortfolioAs of December 31, 2022~~ , the fair value of our investment portfolio totaled $ ~~348~~ **423** . ~~2~~ **9** million, with an average effective yield of ~~2~~ **3** . ~~41~~ **34** %, and the estimated duration on the fixed income portion of our investment portfolio (fair value of $ ~~343~~ **419** . ~~6~~ **2** million) is ~~2~~ **1** . ~~74~~ **95** years. The primary objectives of the investment portfolio are to provide liquidity, generate economic value, be responsive to cash needs and assist in managing interest rate risk. As of December 31, ~~2022~~ **2023** , ~~48~~ **59** % of our investment portfolio consists of U. S. ~~treasuries~~ **Treasury** and ~~agency~~ **Agency** ~~notes~~ **securities** , with the balance in mortgage- backed securities, collateralized mortgage and debt obligations and equity securities. We regularly evaluate the composition of our investment portfolio as the interest rate yield curve changes and may sell investment securities from time to time to adjust our exposure to interest rates or to provide

liquidity. Our investment policy is reviewed at least annually by our board of directors. Overall investment goals are established by our board **of directors** , ~~Chief~~ **chief** ~~Executive~~ **executive** ~~Officer~~ **officer** , ~~Chief~~ **chief** ~~Financial~~ **financial** ~~Officer~~ **officer** and members of our Asset and Liability Committee ~~(" ALCO ")~~ . Our board of directors has delegated the responsibility of monitoring our investment activities to our management and ~~ALCO~~ **Asset and Liability Committee** . Day- to- day activities pertaining to the securities portfolio are conducted under the supervision of our ~~Chief~~ **chief** ~~Financial~~ **financial** ~~Officer~~ **officer** ~~. We actively monitor our investments on an ongoing basis to identify any material changes in the securities~~ . DepositsWe offer traditional depository products, including checking, savings, money market, individual retirement accounts and certificates of deposits, to individuals and businesses throughout our market areas. Our deposits are insured by the ~~Federal Deposit Insurance Corporation (the "~~ FDIC ~~")~~ up to statutory limits. We offer customers traditional retail deposit products through our branch network and the ability to access their accounts through online and mobile banking platforms. We seek to grow our deposits through **the** use of competitive rates, a focused marketing campaign, and multi- product clubs in which we offer varying benefits depending on the overall relationship with the customer. Our bankers are incentivized to acquire and maintain quality, core deposits as we depend on deposits to fund the majority of our loans. Brokered deposits are obtained when needed to build liquidity at favorable rates. Market AreaThe primary markets in which we operate are **the** San Francisco and ~~greater~~ Los Angeles **metropolitan areas** , and our ~~26~~ **25** - branch network in these areas is our core distribution channel. In addition, we have one branch in New York City and our headquarters branch in Southfield, Michigan. We strive to take advantage of our core footprint and deep- rooted relationships to target local customers with a diversified product offering. Our local branch network enables us to gather deposits, promote the Sterling brand and customer loyalty, originate loans and other products and maintain relationships with our customers through regular community involvement. CompetitionThe financial services industry is highly competitive as we compete for loans, deposits and customer relationships in our market. Competition involves efforts to retain current clients, make new loans and obtain new deposits, increase the scope and sophistication of services offered and offer competitive interest rates paid on deposits and charged on loans. Within our branch footprint, we primarily face competition from national, regional and other local financial institutions that have established branch networks throughout the San Francisco and Los Angeles **metropolitan** areas as well as the New York City market, giving them visible retail presence to customers. ~~In~~ **9In** mortgage banking, we face competition from a wide range of national financial institutions, regional and local community banks, as well as credit unions and national mortgage underwriters. In commercial banking, we face competition to underwrite loans to sound, stable businesses and real estate projects at competitive price levels that make sense for our business and risk profile. Our major commercial bank competitors include larger national, regional and local financial institutions that may have the ability to make loans on larger projects than we can or provide a larger mix of product offerings. We also compete with smaller local financial institutions that may have aggressive pricing and unique terms on various types of loans and, increasingly, financial technology platforms that offer their products exclusively through web- based portals. ~~8In~~ - **In** retail banking, we primarily compete with national and local banks that have **a** visible retail presence and personnel in our market areas. The primary factors driving competition in consumer banking are customer service, interest rates, fees charged, branch location and hours of operation and the range of products offered. We compete for deposits by advertising, offering competitive interest rates and seeking to provide a higher level of personal service. We also face competition from non- traditional alternatives to banks such as credit unions, internet- based banks, money centers, money market mutual funds and cash management accounts. For further discussion regarding the competitive factors and uncertainties impacting our business, see " Item 1A. Risk Factors ~~-~~ — Risks Related to Competition. " **Resolution of Department of Justice InvestigationOn July 19, 2023, the United States District Court for the Eastern District of Michigan approved the Plea Agreement entered into with the DOJ on March 15, 2023, which resolved the DOJ' s investigation focused on the Bank' s Advantage Loan Program and related issues, including residential lending practices and public disclosures about that program contained in the Company' s filings with the SEC. Under the Plea Agreement, the Company pleaded guilty to one count of securities fraud primarily relating to disclosures with respect to the Advantage Loan Program contained in the Company' s 2017 Registration Statement for its initial public offering and its immediately following Annual Reports on Form 10- K filed in March 2018 and March 2019. Consistent with the Plea Agreement, the sentence issued by the court required the Company to pay $ 27. 2 million in restitution for the benefit of non- insider victim shareholders; further enhance its compliance program and internal controls with respect to securities law compliance; and provide periodic reports to the DOJ with respect to compliance matters. The restitution amount was paid by the Company in the third quarter of 2023 and will be administered by a special master appointed by the court. No criminal fine was imposed. The Company' s obligations under the Plea Agreement are generally effective for three years. This resolution released the Company, as well as the Bank, from further prosecution for securities fraud and underlying mortgage fraud in the Advantage Loan Program.** HUMAN CAPITAL ~~RESOURCESOverviewWe~~ **RESOURCESOverviewOur culture remains focused on integrity, inclusion, continuous learning and synergy as the Company continues to build on the employee experience. We** continue to focus on initiatives **that** ~~to enhance the employee experience through a variety of measures to engage employees and~~ promote ~~a culture of integrity, inclusion and growth. In 2022, we underwent the implementation of a new human resources information system, launched~~ employee engagement **through the introduction of technology** ~~surveys, and introduced our core competencies~~ to ~~all~~ **improve communication and transparency with our employment practices. In 2023, we implemented a Human Resources Information System, which provides** employees **with access to their information through the self- service portal** . ~~We~~ **Further, we currently plan to establish a management- level Human Resources committee that would perform annual reviews of related policies and ongoing survey activities. The Company** ~~continue~~ **continues** ~~towards~~ **to be invested in** building a culture of engagement that promotes giving back to the communities we serve, our shareholders and employees. ~~Management values the collaborative~~ **Collaboration** ~~relationships~~ and teamwork **remain** ~~that exist~~ at the ~~Bank~~ **core of our focus** . As of December 31, ~~2022~~ **2023** , we had a total of ~~270~~ **248** full time and ~~five~~

seven part time employees, located predominately in California, Michigan and New York. During the ~~second~~ **first** quarter of ~~2022~~ **2023** , we reduced our workforce by ~~35~~ **12** full- time- equivalent employees **and** in ~~connection~~ **the fourth quarter of 2023 we eliminated four full- time positions that were impacted by the elimination of our residential lending program. The reduction in force, along** with **natural attrition and** the ~~outsourcing~~ **implementation** of ~~our residential loan origination function~~ **new technology, has contributed to the reduced headcount from 2022 to 2023** . Our employees are not represented by a collective bargaining unit or are parties to a collective bargaining agreement. We believe that our ~~relations~~ **relationship** with our employees ~~are good~~ **is built on trust, transparency, and inclusivity and because of that, we continue to have a dedicated and engaged workforce** . ~~Culture~~ **10Culture** and EngagementWe **strive to amplify the** ~~continue our efforts in supporting our employees~~ - **employee** ~~and providing~~ **voice through communication using multiple channels, one being** ~~them~~ - **the** ~~with~~ **employee engagement survey. We conducted our annual employee engagement survey in May 2023** ~~an~~ **and** ~~enhanced~~ **overall participation was 86 %. The level of employee engagement, which is a measure gleaned from the survey results of the** employee experience **as it pertains to satisfaction in addition to meaning, autonomy, growth, impact and connection, was 81 %. Participation in the May 2023 survey increased by 4 % and overall engagement increased by 4 % from the 2022 survey. In addition to the survey, we are committed to publishing an internal news bulletin on a quarterly basis to inform employees of what is happening at the Company and recognize employees and teams for their contributions at work, in our communities and with our customers. Overall, our culture is one** that ~~celebrates~~ **promotes our core competencies, and we will continue to build on integrity, inclusion, continuous learning and synergy in** ~~them~~ - **the upcoming** ~~, their accomplishments and the good they do within our Sterling community. Employees are encouraged to volunteer in their communities and are provided paid time off each~~ year ~~to do so~~ . **Management values** ~~In recent years, we have repositioned~~ our **employees** ~~human capital efforts~~ and ~~expanded~~ **continues to work with** the human resources team **on improving on the employee experience from recruitment through departure. We believe the implementation of the Human Resources Information System has added** to **the employee application, recruitment and on- boarding practices that contribute toward building a culture of engagement. Human resources technology is being implemented across the organization to help with communication and** provide ~~more support for~~ employees ~~,~~ **with the information they need through the Human Resources Information System discussed above. We continue to strive to build a** culture ~~and engagement initiatives. The Company launched its first employee engagement survey~~ in **which** ~~June 2022 that allows~~ employees ~~to~~ **feel valued, heard and are** ~~provide~~ **provided with** ~~feedback confidentially to a third party on employee voice and belonging, culture and job satisfaction in order to measure and increase employee engagement. In 2022, 84 % of our employees participated in these~~ -- **the knowledge** ~~surveys. In 2022~~ , **tools and resources** ~~we also introduced core competencies~~ to ~~our employees as these core competencies will~~ be **successful** ~~embedded in performance and recognition initiatives. Our core competencies of Integrity, Inclusion, Continuous Learning and Synergy were developed to further support our culture~~ . Diversity, Equity, Inclusion and BelongingAs of December 31, ~~2022~~ **2023** , ~~56~~ **55** % of employees were female, and ~~64~~ **68** % identified within an ethnically diverse group. ~~In~~ **Within** the ~~group of~~ employees at the level of assistant vice president or higher, ~~49~~ **40** % were female and ~~56~~ **60** % identified within an ethnically diverse group. We continue to promote diversity, equity, inclusion and belonging within our culture ~~as is reflected in our core competencies under Inclusion~~ . We are committed to providing a workplace that is free of harassment and discrimination by taking proactive measures and providing all employees with non- discrimination and sexual harassment prevention training on an annual basis. We continue to support and provide diversity training to all employees to increase cultural competency and collaboration. **We believe in having an inclusive and diverse workforce in which employees feel valued, empowered and that they are making a positive difference within our communities, workplace and within the lives of the customers we serve.** ~~9Talent~~ - **Talent** Acquisition, Retention and ~~DevelopmentIt~~ **DevelopmentThe Company continues to provide an adaptable work arrangement model to provide employees the opportunity to work remotely, on a hybrid schedule or in the office based on their position, responsibilities and location. It** is our goal to attract, retain and develop employees and provide opportunities for growth. We **believe the pool of available talent from which** ~~restructured our recruitment practices to be more inclusive and developed a new promotion and internal recruitment process. In 2022,~~ we ~~added a~~ **can recruit critical** ~~Talent~~ **talent** ~~Acquisition team to our Human Resource function, which was tasked with reviewing and updating recruitment practices. In addition, we added a Human Resource Business Partner team that was responsible with guiding management through the employee journey from recruitment through separation. Our goal is to make all who interact with us as~~ **has** ~~an applicant, candidate and new employee feel welcomed and appreciated~~ **expanded due to our flexible work environment provided by the adaptable work arrangement model** . We understand that our ability to retain employees leads to the retention of customers and allows us to build strong relationships based on trust, so we continue to invest in the professional development of our employees. Our customers depend on the capabilities and knowledge of our employees **,** which is why we have been investing in the growth of our team. For further discussion regarding retention of our employees, see " Item 1A. Risk Factors — Other Risks Related to Our Business ~~— Our future success depends on our ability to identify, attract and retain key employees and other qualified personnel~~ . " We strive to offer competitive pay, benefits and services to meet the needs of our employees. In ~~2022~~ **2023** , we ~~added~~ **continued** to **offer competitive benefits to** ~~our Total Rewards team, who oversees~~ all **employees** ~~compensation related practices, policies and programs and provides oversight to our defined and discretionary incentive practices~~ . **Our** ~~Compensation and~~ benefits include ~~bonuses and incentives, restricted stock and stock options,~~ health ~~benefits~~ **care** , a 401 (k) plan with an employer contribution in **Company** stock ~~of the Company~~ , financial education and counseling, partial tuition reimbursement, wellness initiatives (including programs designed to help our employees meet their health goals) and paid time off. ~~We~~ **In addition, in 2023, we formalized our learning and development policy, and we** continue to offer over 600 technical and professional development courses and educational reimbursement for approved external training opportunities. ~~Response~~ **Our goal is** to **promote a culture of** ~~the COVID- 19 PandemicIt has now been almost three years since the COVID- 19 pandemic impacted the world,~~

~~and we continue~~ **continuous learning in which** ~~with our efforts to provide the safest working conditions for all~~ employees **are developing both interpersonally** ~~. We continue to offer a flexible environment in which we offer in office, hybrid work schedules~~ and **professionally** ~~fully remote work schedules~~ to **meet** ~~our employees based on business operation needs and required job duties. We remain fluid in our return to the~~ **their career goals** ~~office protocols due to the changing conditions caused by the COVID- 19 virus and continue to monitor the landscape of infectious diseases to ensure the safety of our employees to the best intent possible~~ . ~~SUPERVISION~~ **11SUPERVISION** AND ~~REGULATIONGeneralAs~~ **REGULATIONGeneralSterling Bank is** a ~~federal~~ **federally chartered stock** savings bank **that has elected to operate as a covered savings association** , ~~Sterling~~ **effective August 9, 2023. As a covered savings association, the Bank will generally function as a commercial bank without the constraints applicable to a thrift institution. For instance, for so long as the Bank continues to operate as a covered savings association, the Bank is not required to satisfy the QTL test that applies generally as a matter of federal law to thrift institutions. The** Bank is subject to primary examination and regulation by the OCC and, as an insured depository institution, the FDIC. The federal system of regulation and supervision establishes a comprehensive framework of activities in which Sterling Bank may engage and is intended primarily for the protection of depositors and the FDIC' s Deposit Insurance Fund (the " DIF ") rather than our shareholders. **In connection with its election to operate as a covered savings association, Sterling Bank was required to become a member of the Federal Reserve System and subscribe to the capital stock of the Federal Reserve Bank of Chicago.** Sterling Bank also is a member of, and owns stock in, the Federal Home Loan Bank (the " FHLB ") of Indianapolis, which is one of the 11 regional banks in the FHLB system. As a unitary thrift holding company, Sterling Bancorp is required to comply with the rules and regulations of the FRB. **As a company that controls a depository institution that has elected to operate as a covered savings association, Sterling Bancorp is treated for most regulatory purposes as a bank holding company.** We are required to file certain reports with the FRB and are subject to examination by and the enforcement authority of the FRB. Sterling Bancorp is also subject to the rules and regulations of the SEC under the federal securities laws. ~~10Under~~ -- **Under** this system of regulation, the regulatory authorities have extensive discretion in connection with their supervisory, enforcement, rulemaking and examination activities and policies, including rules or policies that: establish minimum capital levels; restrict the timing and amount of dividend payments; govern the classification of assets; determine the adequacy of the allowance for ~~loan~~ **credit** losses for regulatory purposes; and establish the timing and amounts of assessments and fees. Moreover, as part of their examination authority, the banking regulators assign numerical ratings to banks and savings institutions relating to capital, asset quality, management, liquidity, earnings and other factors. These ratings are inherently subjective and the receipt of a less than satisfactory rating in one or more categories may result in enforcement action by the banking regulators against a financial institution. A less than satisfactory rating may also prevent a financial institution, such as Sterling Bank or Sterling Bancorp, from obtaining necessary regulatory approvals to access the capital markets, pay dividends, acquire other financial institutions or establish new branches. In addition, we must comply with significant anti- money laundering (" AML ") and anti- terrorism laws and regulations, the CRA and regulations implemented thereunder, and fair lending laws and regulations. Government agencies have the authority to impose monetary penalties and other sanctions on institutions that fail to comply with these laws and regulations, which could significantly affect our business activities, including our ability to expand our branch network or acquire other financial institutions. Finally, we are also subject to the laws and regulations of the State of Michigan, in which our main office is located, and other states in which we do business, including California and New York. Any change in applicable laws or regulations, whether by the OCC, the FDIC, the FRB, the SEC, state regulators, or Congress, could have a material adverse impact on the operations and financial performance of Sterling Bancorp and Sterling Bank. Set forth below is a brief description of material regulatory requirements that are or will be applicable to Sterling **Bancorp and Sterling** Bank ~~and Sterling Bancorp~~ . The description is limited to certain material aspects of the statutes and regulations addressed ~~,~~ and is not intended to be a complete description of such statutes and regulations and their effects on Sterling **Bancorp and Sterling** Bank ~~and Sterling Bancorp~~ . ~~Federal~~ **12Federal** Banking RegulationBusiness Activities. A federal savings bank derives its lending and investment powers from ~~the Home Owners' Loan Act, as amended ("~~ HOLA ~~"),~~ and applicable federal **regulations. A federal savings bank that elects to operate as a covered savings association, including Sterling Bank, retains its federal savings bank charter and continues to be treated as such for certain enumerated purposes; however, covered savings associations generally are afforded the same rights and privileges as national banks under the National Bank Act and other applicable federal laws and** regulations. Under these laws and regulations, Sterling Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. Sterling Bank may also establish subsidiaries that may engage in certain activities not otherwise permissible for Sterling Bank, including wealth and investment management. **Corporate and Risk Governance. We are required as a supervisory matter to implement an effective corporate and risk governance framework commensurate with our size, complexity and risk profile. Fundamental components of this framework include the authorities and responsibilities of directors and senior managers to govern the operations and structure of the Company and the Bank, as well as the implementation and management of systems and processes designed to identify, measure, monitor and control the risks to the organization, specifically including strategic, reputation, compliance and operational risks. Further, the federal banking agencies have in recent years increased their focus on banks' third- party risk management controls and practices. In June 2023, the federal banking agencies, including the OCC, adopted interagency guidance on risk management of third- party relationships. The guidance applies broadly to any business agreement between a banking organization and another entity, by contract or otherwise (including affiliated entities), and requires banking organizations to analyze the risks associated with each third- party relationship and establish effective governance and risk management processes for all stages of a third- party relationship, including planning, due diligence and third- party selection, contract negotiation, ongoing monitoring and termination. See " Item 1A. Risk Factors — Other Risks**

Related to Our Business " for additional discussion of this topic. Capital Requirements. **Prior to January 1, 2023, the** Federal regulations ~~require~~ **required** Sterling Bancorp and Sterling Bank to meet several minimum capital standards under the risk- based capital rules implemented by the federal banking agencies pursuant to the Dodd- Frank Act. In general, subject to certain exceptions as discussed further below, minimum capital standards include a common equity Tier 1 capital to risk- weighted assets ratio of 4. 5 %, a Tier 1 capital to risk- weighted assets ratio of 6. 0 %, a total **adjusted** capital to risk- weighted assets ratio of 8. 0 %, and a Tier 1 capital to ~~adjusted~~ average total assets leverage ratio of 4. 0 %. In determining the amount of risk- weighted assets for purposes of calculating risk- based capital ratios, all assets, including certain off- balance sheet assets (for example, recourse obligations, direct credit substitutes and residual interests) are multiplied by a risk- weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. Common equity Tier 1 capital is generally defined as common shareholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus **,** and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long- term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for ~~loan~~ **credit** losses limited to a maximum of 1. 25 % of risk- weighted assets. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations. In assessing an institution' s capital adequacy, the OCC takes into consideration not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary. ~~11The~~ -- **The** Bank, after consultation with the OCC, determined during 2022 that a risk- weighting of 100 % should be applied to its Advantage Loan Program loans under the risk weighting requirements for first- lien residential mortgage exposure set forth under the Basel III capital rules. Previously, the Company and the Bank generally applied a 50 % risk weight to the Advantage Loan Program loans. The new risk weighting was applied as of December 31, 2021. ~~In~~ **13In** addition to establishing the minimum regulatory capital requirements, the capital rules limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a capital conservation buffer ~~(" CCB ")~~ consisting of 2. 5 % of common equity Tier 1 capital to risk- weighted assets above the amount necessary to meet its minimum risk- based capital requirements. **The capital** ~~Effective as of January 1, 2020, a final rule~~ **rules provide for** ~~published by the federal banking agencies introduced~~ an optional simplified measure of capital adequacy for qualifying community banking organizations (that is, the community bank leverage ratio (the " CBLR ") framework), as provided by the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (the " EGRRCPA "). The CBLR framework is designed to reduce burden by removing the requirements for calculating and reporting risk- based capital ratios for qualifying community banking organizations that opt into the framework. In order to qualify for the CBLR framework, a community banking organization must have (i) a Tier 1 leverage ratio of greater than 9. 0 %, (ii) less than $ 10 billion in total consolidated assets, and (iii) limited amounts of off- balance- sheet exposure and trading assets and liabilities. A qualifying community banking organization that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well capitalized ratio requirements under prompt corrective action regulations and will not be required to report or calculate risk- based capital. Failure to meet the qualifying criteria within the grace period or maintain a leverage ratio of 8 % or greater requires the institution to comply with the generally applicable capital requirements. The Bank is a qualifying community bank organization and ~~has~~ elected to opt into the CBLR framework, effective as of January 1, 2023. As discussed above, by opting into the CBLR framework, we ~~will~~ **are** not ~~be~~ required to meet minimum standards under the risk- based capital rules implemented by the federal banking agencies pursuant to the Dodd- Frank Act. Instead, maintaining a Tier 1 leverage ratio of greater than 9. 0 % **is** ~~will be~~ considered to have satisfied the risk- based and leverage capital requirements in the regulatory agencies' generally applicable capital rules and to have met the well capitalized ratio requirements. Tier 1 leverage ratio is defined as Tier 1 capital to average total consolidated assets ratio. At December 31, ~~2022~~ **2023** , the Company and the Bank met **the requirement to have a** Tier 1 leverage ratio greater than 9. 0 % ~~and would have met the CBLR requirement had it been applicable at that date. At December 31, 2022, the Company and the Bank met all regulatory capital requirements to which they are subject, including the minimum capital ratios and CCB requirement summarized above~~ . Loans- to- One Borrower. Generally, a federal savings bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15 % of unimpaired capital and surplus. An additional amount may be loaned, equal to 10 % of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally includes certain financial instruments (but not real estate). As of December 31, ~~2022~~ **2023** , the Bank was in compliance with the loans- to- one borrower limitations ~~. QTL Test. Federal law requires savings associations to meet a QTL test. Under the test, a savings bank is required to either qualify as a " domestic building and loan association " under the Internal Revenue Code or maintain at least 65 % of its portfolio assets (total assets less: (i) specified liquid assets up to 20 % of total assets; (ii) intangibles, including goodwill; and (iii) the value of property used to conduct business) in certain qualified thrift investments (primarily multifamily and residential mortgages and related investments, including certain mortgage- backed securities but also including education, credit card and small business loans) in at least nine months out of each 12- month period. 12A savings association that fails the QTL test is subject to certain operating restrictions, including a prohibition against dividends, and the Dodd- Frank Act also specifies that failing the QTL test is a violation of law that could result in an enforcement action and dividend limitations. At December 31, 2022, the Bank satisfied the QTL test~~ . Capital Distributions. Federal regulations impose limitations on capital distributions by a federal savings bank, which include cash dividends, stock repurchases and other transactions charged to the savings bank' s capital account. A federal savings bank must file an application with the OCC for approval of a capital distribution under various circumstances, including, for example, if the savings bank' s total capital distributions for the applicable calendar year

exceed the sum of its net income for that year to date plus its retained net income for the preceding two years; the savings bank would not be at least adequately capitalized or otherwise would not remain an " eligible savings association " under applicable OCC regulations following the distribution; or the distribution would violate any applicable law, regulation or agreement with, or order or notice approved by, the OCC. Even if an application is not otherwise required, every savings bank that is a subsidiary of a unitary thrift holding company, such as Sterling Bank, must still file a notice with the FRB at least 30 days before its board of directors declares a dividend or approves a capital distribution. FRB approval is also required for any repurchase of capital stock by a financial institution with over $ 3 billion in assets, unless an exception applies. A notice or application related to a capital distribution or share repurchase may be disapproved **by the OCC** if: ● the federal savings bank would be undercapitalized following the distribution; ● the proposed capital distribution raises safety and soundness concerns; or ● the capital distribution would violate a prohibition contained in any statute, regulation or agreement, or any condition imposed upon the savings bank in an application or notice approved by the OCC. In addition, the Federal Deposit Insurance Act provides that an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. ~~As a result of the COVID- 19 pandemic, the federal banking agencies revised the definition of " eligible retained income " to provide banking organizations subject to the capital rules with greater flexibility with which to manage capital levels in the event of disruptions in economic conditions. As amended, " eligible retained income " is defined as the greater of (1) a banking organization' s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of a banking organization' s net income over the preceding four quarters. Despite this more relaxed definition, banking organizations are still expected to manage their capital actions and liquidity risk prudently and in a safe and sound manner. CRA~~ **14CRA** and Fair Lending Laws. Under the CRA, as implemented by federal regulations, all federal savings banks have a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low- and moderate- income borrowers. The CRA does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution' s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OCC, in connection with its examination of a federally chartered savings association, to assess the institution' s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. A savings bank' s failure to comply with the provisions of the CRA could, at a minimum, result in denial of certain corporate applications such as branch expansion or mergers, or in restrictions on its activities. The CRA requires a written evaluation of an institution' s CRA performance utilizing a four- tiered descriptive rating system. All institutions insured by the FDIC must publicly disclose their rating. Sterling Bank received a satisfactory CRA rating in its most recent federal examination. **In October 2023, the federal banking agencies issued a joint final rule to revise the regulations implementing CRA. Under the final rule, the agencies will evaluate a bank' s CRA performance based upon the varied activities that it conducts and the communities in which it operates. CRA evaluations and data collection requirements will be tailored based on bank size and type.** ~~13The~~ -- **The Bank is considered a " large bank " under the final rule and therefore will be evaluated under new lending, retail services and products, community development financing and community development services tests. The final rule includes CRA assessment areas associated with mobile and online banking and new metrics and benchmarks to assess retail lending performance. In addition, the final rule emphasizes smaller loans and investments that can have a high impact and be more responsive to the needs of low- and moderate- income communities. The final rule will take effect on April 1, 2024; however, compliance with the majority of the final rule' s provisions will not be required until January 1, 2026, and the data reporting requirements of the final rule will not take effect until January 1, 2027. The** CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The fair lending laws prohibit discrimination in the provision of banking services on the basis of prohibited factors including, among others, race, color, national origin, gender, and religion. The enforcement of these laws has been an increasing focus for the Consumer Financial Protection Bureau (the " CFPB "), the Department of Housing and Urban Development ~~(" HUD ")~~ and other regulators. Under the fair lending laws, a lender may be liable for policies that result in a disparate treatment of or have a disparate impact on a protected class of applicants or borrowers. If a pattern or practice of lending discrimination is alleged by a regulator, then that agency may refer the matter to the DOJ for investigation. Pursuant to a Memorandum of Understanding entered into by the DOJ and CFPB, the agencies have agreed to share information and coordinate investigations and have also generally committed to strengthen their coordination efforts, including in respect of fair lending investigations. A successful 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 activity. Private parties may also have the ability to challenge an institution' s performance under fair lending laws in private class action litigation ~~. On May 5, 2022, the FRB, FDIC, and OCC issued a joint notice of proposed rulemaking to revise the regulations implementing CRA. Under the proposal, the agencies would evaluate bank performance across the varied activities they conduct and communities in which they operate, and tailor CRA evaluations and data collection according to bank size and type. Further, the agencies would also emphasize smaller value loans and investments that can have high impact and be more responsive to the needs of low- and moderate- income communities and would update CRA assessment areas to include activities associated with online and mobile banking, branchless banking, and hybrid models. Additionally, the proposal would adopt a metrics- based approach to CRA evaluations of retail lending and community development financing, including public benchmarks, and clarify eligible CRA activities, such as affordable housing, that are focused on low and moderate income, underserved, and rural communities. The prospects and timing for the adoption by the agencies of a final rule are not certain at this time~~ . ATR / QM Rules. The CFPB' s ability- to- repay (" ATR ") and qualified mortgage (" QM ") rules require, in

connection with the origination of residential real estate loans within its scope, that a mortgage lender must make a reasonable and good faith determination at or before consummation that the consumer will have a reasonable ability to repay the loan according to its terms. Among other requirements, a creditor must verify the information on which it bases its repayment ability determination by using reasonably reliable, written third- party records. These rules prohibit creditors, such as Sterling Bank, from extending residential real estate loans without regard for the consumer' s ability to repay and add restrictions and requirements to residential mortgage origination and servicing practices. In addition, these rules restrict the imposition of prepayment penalties and compensation practices relating to residential real estate loan origination. Mortgage lenders are required to determine consumers' ability to repay in one of two ways. The first alternative requires the mortgage lender to consider eight underwriting factors when making the credit decision. The mortgage lender may also originate QMs, which are entitled to a presumption that the creditor making the loan satisfied the ATR requirements. In general, a QM is a residential real estate loan that does not have certain high- risk features, such as negative amortization, interest- only payments, balloon payments ~~or~~ **,** a term exceeding 30 years **or** ~~. In addition, to be a QM loan, the points and~~ - **an** ~~fees paid~~ **annual percentage rate that exceeds applicable limits prescribed** by **rule** ~~a consumer cannot exceed 3 % of the total loan amount, and the borrower' s total debt- to- income ratio must be no higher than 43 % (subject to certain limited exceptions for loans eligible for purchase, guarantee or insurance by a government sponsored enterprise or a federal agency)~~ . Further, the **EGRRCPA** ~~Economic Growth Act~~ created a new category of QMs presumed to satisfy ability- to- repay requirements of the ATR / QM rules ~~under~~ for loans that meet certain criteria and are held in portfolio by banks with less than $ 10 billion in assets, including the Bank. ~~Our~~ **15Our** residential real estate loans originated under our **former programs, such as** TIC **loan** program and ~~our former~~ Advantage Loan Program **,** are not QMs, as our underwriting processes for those programs do not follow applicable regulatory guidance required for such qualification; however, our remaining conforming residential real estate loans originated in 2021 and 2022 were QMs. ~~14On December 10, 2020, the CFPB issued two final rules related to QM loans. The first rule replaces the strict 43 percent debt- to- income threshold for QM loans and provides that, in addition to existing requirements, a loan receives a conclusive presumption that the consumer had the ability to repay if the annual percentage rate does not exceed the average prime offer rate for a comparable transaction by 1. 5 percentage points or more as of the date the interest rate is set. Further, a loan receives a rebuttable presumption that the consumer had the ability to repay if the annual percentage rate exceeds the average prime offer rate for a comparable transaction by 1. 5 percentage points or more but by less than 2. 25 percentage points. The second rule creates a new category of seasoned QMs for loans that satisfy a 3- year seasoning period and meet certain other performance requirements. Seasoned loans qualify for a safe harbor under the ATR / QM rule. Compliance with the first final rule is mandatory as of October 1, 2022. The second final rule applies to covered transactions for which institutions receive an application after the compliance date for the first final rule.~~ See " Item 1A. Risk Factors – ~~—~~ Risks Related to Our Highly Regulated Industry ~~— — The Company faces risks related to the adoption of future legislation and potential changes in federal regulatory agency leadership, policies and priorities.~~ " **for additional discussion of this topic.** Transactions with Related Parties. A federal savings bank' s authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with, an insured depository institution such as Sterling Bank. Sterling Bancorp is an affiliate of Sterling Bank because of its control of Sterling Bank. A subsidiary of a bank that is not also a depository institution or a financial subsidiary under federal law is not treated as an affiliate of the bank for the purposes of Sections 23A and 23B; however, the OCC has the discretion to treat subsidiaries of a bank as affiliates on a case- by- case basis. Section 23A limits the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate to 10 % of the bank' s capital stock and surplus. The amount of covered transactions with all affiliates is limited ~~of~~ **to** 20 % of the bank' s capital stock and surplus. " Covered transactions " include, among other things, the making of a loan to an affiliate, a purchase of assets from an affiliate, the issuance of a guarantee on behalf of an affiliate and the acceptance of securities of an affiliate as collateral for a loan. All such transactions are required to be on terms and conditions that are consistent with safe and sound banking practices and no transaction may involve the acquisition of any low- quality asset from an affiliate. Certain covered transactions, such as loans to or guarantees on behalf of an affiliate, must be secured by collateral in amounts ranging from 100 to 130 percent of the loan amount, depending upon the type of collateral. In addition, Section 23B requires that any covered transaction (and specified other transactions) between a bank and an affiliate must be on terms and conditions that are substantially the same, or at least as favorable, to the bank, as those that would be provided to a non- affiliate. A bank' s loans to its executive officers, directors, any owner of more than 10 % of its stock (each, an " insider ") and certain entities affiliated with any such person (an insider' s " related interest ") are subject to the conditions and limitations imposed by Section 22 (h) of the Federal Reserve Act and the FRB' s Regulation O. The aggregate amount of a bank' s loans to any insider and the insider' s related interests may not exceed the loans- to- one- borrower limit applicable to national banks. Aggregate loans by a bank to its insiders and insiders' related interests may not exceed the bank' s unimpaired capital and unimpaired surplus. With certain exceptions, such as education loans and certain residential mortgages, a bank' s loans to its executive officers, may not exceed the greater of $ 25, 000 or 2. 5 % of the bank' s unimpaired capital and unimpaired surplus, but in no event more than $ 100, 000. Regulation O also requires that any loan to an insider or a related interest of an insider be approved in advance by a majority of the board of directors of the bank, with any interested director not participating in the voting, if the loan, when aggregated with any existing loans to that insider or the insider' s related interests, would exceed the lesser of $ 500, 000 or 5 % of the bank' s unimpaired capital and surplus. Generally, such loans must (i) be made on substantially the same terms as and follow credit underwriting procedures that are no less stringent than, those that are prevailing at the time for comparable transactions with unaffiliated persons and that do not present more than a normal risk of repayment or present other unfavorable features, and (ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of Sterling Bank' s capital. An exception is made for extensions of credit made pursuant to a benefit or compensation plan of a

bank that is widely available to employees of the bank and that does not give any preference to insiders of the bank over other employees of the bank. ~~15Enforcement~~ **16Enforcement** . The OCC has primary enforcement responsibility over federal savings banks and has authority to bring enforcement action against all institution- affiliated parties, including directors, officers, shareholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings bank. Formal enforcement action by the OCC may range from the issuance of a capital directive, formal agreement (such as the agreement described below) or cease and desist order to removal of officers and / or directors of the institution and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $ 25, 000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $ 1 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the OCC that enforcement action be taken with respect to a particular savings bank. If such action is not taken, the FDIC has authority to take the action under specified circumstances. As discussed above under " Item 1. Business — General " and in " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations, " the Bank entered into the OCC Agreement on June 18, 2019 and was under formal investigation. Further, on September 27, 2022, the Bank was assessed a $ 6 million civil money penalty by the OCC with regard to the Bank' s credit underwriting processes and Bank Secrecy Act (" BSA ") and AML laws and regulations (" BSA / AML ") compliance controls relating to its Advantage Loan Program, resolving the OCC' s investigation of the Bank. In connection with such assessment, the OCC determined that the Bank had implemented all corrective actions required by OCC Agreement, and as a result, such agreement was terminated. Standards for Safety and Soundness. The federal banking agencies have adopted the Interagency Guidelines for Establishing Standards for Safety and Soundness (the " Guidelines "). The Guidelines establish certain safety and soundness standards for all depository institutions. The operational and managerial standards in the Guidelines relate to the following: (1) internal controls and information systems; (2) internal audit systems; (3) loan documentation; (4) credit underwriting; (5) interest rate exposure; (6) asset growth; (7) compensation, fees and benefits; (8) asset quality; and (9) earnings. Rather than providing specific rules, the Guidelines set forth basic compliance considerations and guidance with respect to a depository institution. Failure to meet the standards in the Guidelines, however, could result in a request by the OCC to one of the federal savings banks to provide a written compliance plan to demonstrate its efforts to come into compliance with such Guidelines. Failure to provide a plan or to implement a provided plan requires the appropriate federal banking agency to issue an order to the institution requiring compliance. ~~As discussed in greater detail below under " — Government and Regulatory Responses to the COVID- 19 Pandemic, " the COVID- 19 pandemic in the United States and the federal and state government responses to the COVID- 19 pandemic impacted the Company' s operations and its risk management and safety and soundness regulations in several respects. In accordance with supervisory expectations, the Bank took a variety of actions to work with and assist customers in meeting their financial needs throughout the COVID- 19 pandemic. The Company expects to see the accommodations it made in response to the COVID- 19 pandemic reduced or phased out, including tightening of some credit terms, reduction of fee waivers, and other actions. The timing of these adjustments and their financial impact on the Bank are uncertain at this time.~~ Interstate Banking and Branching. Federal law permits well capitalized and well managed holding companies to acquire banks in any state, subject to FRB approval, certain concentration limits and other specified conditions. Interstate mergers of banks are also authorized, subject to regulatory approval and other specified conditions. Among other things, banks may establish de novo branches on an interstate basis provided that branching is authorized by the law of the host state for the banks chartered by that state. Prompt Corrective Action. Federal law requires, among other things, that federal bank regulators take prompt corrective action with respect to institutions that do not meet minimum capital requirements. For this purpose, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. An institution is deemed to be well capitalized if it has a total risk- based capital ratio of 10. 0 % or greater, a Tier 1 risk- based capital ratio of 8. 0 % or greater, a leverage ratio of 5. 0 % or greater and a common equity Tier 1 ratio of 6. 5 % or greater. An institution is adequately capitalized if it has a total risk- based capital ratio of 8. 0 % or greater, a Tier 1 risk- based capital ratio of 6. 0 % or greater, a leverage ratio of 4. 0 % or greater and a common equity Tier 1 ratio of 4. 5 % or greater. An institution is undercapitalized if it has a total risk- based capital ratio of less than 8. 0 %, a Tier 1 risk- based capital ratio of less than 6. 0 %, a leverage ratio of less than 4. 0 % or a common equity Tier 1 ratio of less than 4. 5 %. An institution is deemed to be significantly undercapitalized if it has a total risk- based capital ratio of less than 6. 0 %, a Tier 1 risk- based capital ratio of less than 4. 0 %, a leverage ratio of less than 3. 0 % or a common equity Tier 1 ratio of less than 3. 0 %. An institution is considered to be critically undercapitalized if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2. 0 %. ~~16At~~ **17At** each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends, and restrictions on the acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well capitalized, adequately capitalized or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. An undercapitalized bank' s compliance with a capital restoration plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5. 0 % of the institution' s total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an undercapitalized bank fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. Significantly undercapitalized banks must comply with one or more of a number of additional restrictions, including but not limited to an order by the applicable regulatory authority to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, cease receipt of deposits from correspondent banks or dismiss

directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. Critically undercapitalized institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status. At December 31, 2022, Sterling Bank' s capital ratios met the requirements to be considered well capitalized. As discussed in " Capital Requirements " section above, a qualifying community banking organization that opts into the CBLR framework and meets all requirements under the framework **is** will be considered to have met the well capitalized ratio requirements under prompt corrective action regulations and will **is** not be required to **calculate or** report or calculate risk- based capital **ratios** . Under the CBLR framework, which each of Sterling Bancorp and Sterling Bank has elected to adopt as of January 1, 2023, a Tier 1 leverage ratio of greater than 9. 0 %, calculated on a consolidated basis, **is** will be considered to have met the well capitalized ratio requirements applicable to each entity **. Sterling Bancorp and the Bank each satisfied this requirement as of December 31, 2023** . Federal Insurance of Deposit Accounts. The DIF insures deposits at FDIC- insured financial institutions such as Sterling Bank. Deposit accounts at Sterling Bank are insured by the FDIC generally up to a maximum of $ 250, 000 per separately insured depositor. The FDIC charges insured depository institutions premiums to maintain the DIF. The Dodd- Frank Act increased the minimum target DIF ratio from 1. 15 % of estimated insured deposits to 1. 35 % of estimated insured deposits. Insured institutions with assets of $ 10 billion or more were given the responsibility for funding the increase. The Dodd- Frank Act eliminated the prior 1. 5 % maximum fund ratio, instead leaving the target fund ratio to the discretion of the FDIC, which has exercised that discretion by establishing a long- term target fund ratio of 2 %. Under the FDIC' s risk- based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other risk factors. Rates are based on each institution' s risk category and certain specified risk adjustments. Institutions deemed to be less risky pay lower rates while institutions deemed riskier pay higher rates. Assessment rates (inclusive of possible adjustments) currently range from 21 / 2 to 45 basis points of each institution' s total assets less tangible capital. However, on October 18, 2022, the FDIC adopted a final rule to increase initial base deposit insurance assessment rate schedules uniformly by 2 basis points, beginning in the first quarterly assessment period of 2023. The FDIC may increase or decrease the scale uniformly, except that no adjustment can deviate more than two basis points from the base scale without notice and comment rulemaking. Any significant increase in deposit insurance assessments would have an adverse effect on the operating expenses and results of operations of Sterling Bank. We cannot predict what assessment rates will be in the future. Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or regulatory condition imposed by the FDIC. We do not know of any practice, condition or violation that might lead to termination of our deposit insurance. 17Regulation **18Regulation** of Brokered Deposits. Section 29 of the Federal Deposit Insurance Act establishes, among other things, a general prohibition on the acceptance by any insured depository institution that is not well capitalized of any deposit obtained, directly or indirectly, by or through any deposit broker. This statutory prohibition is further implemented through the regulations of the FDIC and, historically, numerous published and unpublished FDIC staff interpretations of the statute and the FDIC' s regulation. **The** A final rule adopted by the FDIC on December 15, 2020 sought to clarify and modernize the FDIC' s existing regulatory framework for brokered deposits **regulation provides a framework** . Notable aspects of the rule include (1) the establishment of bright- line standards for determining whether an entity meets the statutory definition of **"** deposit broker ; **. " Among other things, the regulation** (2 **1**) **identifies** the identification of a number of business relationships in which the agent or nominee of the depositor is not deemed to be a " deposit broker " because the primary purpose of the agent or nominee is not the placement of funds with depository institutions; (3 **2**) **provides for an** the establishment of a more transparent application process for entities that seek to rely upon a " primary purpose " exception, but do not qualify as one of the enumerated business relationships to which the exception is deemed to apply; and (4 **3**) **establishes** the clarification that **a** third **party with** parties that have an exclusive deposit- placement arrangement with only one bank is not considered a deposit broker. Additionally, as mandated by the **EGRRCPA** Economic Growth Act , the **regulation establishes** FDIC' s final rule includes a limited exception for reciprocal deposits for banks that are well rated and well capitalized (or adequately capitalized and have obtained a waiver from the FDIC). Under the limited exception, qualified banks are able to except from treatment as " brokered " deposits up to $ 5 billion or 20 percent of the institution' s total liabilities in reciprocal deposits (which is defined as deposits received by a financial institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as deposits placed by the institution in other network member banks). **The Bank' s acceptance** Full compliance with this final rule was required as of January 1, 2022. Under the amended brokered deposits regulation, the range of activities viewed as deposit brokerage has been modified, which could have an impact on **its** the Bank' s deposit **insurance** premiums, capital and liquidity risk management planning and regulatory monitoring and reporting obligations. Supervisory Assessments. OCC- chartered banks are required to pay supervisory assessments to the OCC to fund its operations. The amount of the assessment paid by a federally- chartered bank to the OCC is calculated on the basis of the institution' s total assets, including consolidated subsidiaries, as reported to the OCC. **For** On December 1, 2020, due to increased operating efficiencies, the OCC announced that it will reduce the rates in all fee schedules by 3 percent for the 2021 calendar year. This reduction is in addition to the OCC' s final rule issued on June 22, 2020, which reduced the assessments paid to the OCC on September 30, 2020 in response to the impact of the COVID- 19 pandemic. On December 1, 2021, the OCC published its assessment rates for the 2022 calendar year, maintaining the rates from 2021. On December 1, 2022, the OCC published its assessment rates for the 2023 calendar year, reducing **the OCC reduced** the rates in the general assessment fee schedule and maintaining **maintained** assessment rates from 2022 **the prior calendar year** for the independent trust and independent credit card fee schedules. Specifically, the general assessment schedule for 2023 includes **included** reductions in assessment rates of 40 % for all banks on their first $ 200 million in balance sheet assets and 20 % for all banks on balance sheet assets above $ 200 million and up to $ 20 billion. **On December 1, 2023, the OCC published**

its assessment rates for the 2024 calendar year. The OCC elected to maintain its general assessment schedule from calendar year 2023 with no adjustments for inflation. Data Privacy and Cybersecurity. We are subject to a number of U. S. federal, state, local and foreign laws and regulations relating to consumer privacy and data protection. Under the privacy protection provisions of the Gramm- Leach- Bliley Act and related regulations, we are limited in our ability to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. Federal banking agencies, including the OCC, have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of the board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services. **The changing** ~~18Certain states have adopted cybersecurity and data~~ privacy laws ~~and regulations may expose the Company to risk and result~~ in **the United States** ~~certain risk management costs. Notably~~ , **Europe and elsewhere create new individual privacy rights and impose increased obligations on companies handling personal information, including** the California Consumer Privacy Act ~~of 2018 (the " CCPA ")~~ , ~~which became effective on January 1, 2020 and was~~ - **as** amended ~~on November 1, 2020~~ by ~~a ballot initiative titled~~ the California Privacy Rights Act **. While** ~~(" CPRA "), gives California residents the right to request access to personal information~~ we **generally handle** ~~have collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of personal information, and the right not to be discriminated against for exercising these rights. The CCPA also created a private right of action with statutory damages for data security breaches, thereby increasing potential liability associated with a data breach, which has triggered a number of class actions against other companies since January 1, 2020. The CPRA both modified the CCPA substantially through amendments that will take effect on January 1, 2023, and created the California Privacy Protection Agency, a government agency with the authority to issue regulations and guidance and to enforce the CCPA. The California Privacy Protection Agency has issued proposed rules which would implement the CPRA but has not yet made them final or stated when final rules are likely to be enacted. Although the CPRA expanded the scope of the CCPA, it did not alter the CCPA' s exemption for financial institutions with respect to personal information that is protected under the~~ Gramm- Leach- Bliley Act **- regulated nonpublic** ~~or the Fair Credit Reporting Act~~ , ~~which means the CCPA will not apply to our practices with respect to~~ personal information **that is** ~~of customers seeking or obtaining products for personal, family, or household purposes. Although Sterling Bank may enjoy several fairly broad exemptions~~ ---- **exempt** ~~from~~ **under** the **California Consumer** ~~CCPA' s privacy~~ **Privacy Act** ~~requirements, those exemptions do not extend to the private right of action for a data security breach or requirements to protect employee and business- to- business~~ (~~B2B) data. These CCPA exemptions expired on January 1, 2023. The CCPA, including any amendments thereto or final regulations implemented thereunder,~~ as well as **the** other **broad** ~~similar federal and~~ state ~~data~~ **consumer** privacy laws **)** ~~and regulations~~ , ~~may require~~ the ~~establishment by Sterling~~ **California Consumer Privacy Act applies to the personal information of our employees and job applicants based in California as well as representatives of any business contacts that the** Bank **engages** ~~of certain regulatory compliance and risk management controls. Further, on October 25, 2022, the New York State Department of Financial Services (" NYDFS ") issued a proposed rule that would, among other things, amend its cybersecurity regulation to create new tiers of regulated entities~~ with **who are California residents** ~~tailored regulatory requirements, establish enhanced governance requirements, and require additional cybersecurity controls. Although the NYDFS cybersecurity regulation is not directly applicable to the Bank, the Bank' s Flushing, New York branch generally is subject to the requirements of New York law~~ . In addition, Congress and federal regulatory agencies may enact similar laws, or promulgate regulations, that could create new individual privacy rights and impose increased obligations on companies handling personal data. **Of note** ~~On November 23, 2021~~ , the federal banking agencies ~~published a final rule~~ **have adopted joint regulations** that ~~will~~ impose upon banking organizations and their service providers ~~new~~ notification requirements for significant cybersecurity incidents. Specifically, the **regulations** ~~final rule requires~~ - **require** banking organizations to notify their primary federal regulator promptly, and no later than 36 hours after, the discovery of a " computer- security incident " that rises to the level of a " notification incident " within the meanings attributed to those terms by the ~~final~~ rule. Banks' service providers are required ~~under the final rule~~ to notify any affected bank to or on behalf of which they provide services " as soon as possible " after determining that they have experienced any incident that materially disrupts, degrades, or is reasonably likely to disrupt or degrade, covered services provided to a bank for four or more hours. **19Recent and ongoing developments may also impact our data security- and privacy- related internal controls and risk profile. On October 19, 2023, the CFPB announced a proposed rule regarding personal financial data rights that is designed to promote " open banking. " If enacted as proposed, the regulation would require, among other things, that data providers, including any financial institution, make available to consumers and certain authorized third parties upon request certain covered transaction, account and payment information. Further, on October 30, 2023, the current Presidential Administration issued an Executive Order on the use of and risks associated with artificial intelligence systems.** The **Executive Order** ~~final rule was effective on April 1, 2022, and banks and their service providers were required~~ **requires** ~~to comply with~~ **certain federal agencies, including** the ~~rule~~ **CFPB, to address potential discrimination in the housing and consumer financial markets relating to the use** by ~~May 1~~ **financial institutions of artificial intelligence technologies. Prior to the issuance of the Executive Order** , ~~2022~~ **the CFPB published a report addressing the use by financial institutions of artificial intelligence chatbots in the provision of financial products and services, which report also highlighted the limitations and various risks posed by such activity** . BSA / AML Regulation, USA PATRIOT Act and National Defense Authorization Act. The BSA, the USA PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective AML program and to file timely reports such as suspicious activity reports and currency transaction reports. We are required to comply with these and other AML requirements. The

federal banking agencies and the Financial Crimes Enforcement Network (" FinCEN ") are authorized to impose significant civil money penalties for violations of those requirements and have recently engaged in coordinated enforcement efforts against banks and other financial services providers with the DOJ, Drug Enforcement Administration and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the sanctions programs administered by the Office of Foreign Assets Control. The USA PATRIOT Act gives federal agencies additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened AML requirements. The USA PATRIOT Act mandates that financial service companies implement additional policies and procedures and take heightened measures designed to address any or all of the following matters: customer identification programs, money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, currency crimes, and cooperation between financial institutions and law enforcement authorities. ~~19On~~ **On** January 1, 2021, Congress passed the National Defense Authorization Act, which enacted the most significant overhaul of the BSA and related AML laws since the USA PATRIOT Act. Notable amendments include (1) significant changes to the collection of beneficial ownership information and the establishment of a beneficial ownership registry, which requires corporate entities (generally, any corporation, limited liability company or other similar entity with 20 or fewer employees and annual gross income of $ 5 million or less) to report beneficial ownership information to FinCEN (which information will be maintained by FinCEN and made available upon request to financial institutions); (2) enhanced whistleblower provisions, which provide that one or more whistleblowers who voluntarily provide original information leading to the successful enforcement of violations of the AML laws in any judicial or administrative action brought by the Secretary of the Treasury or the Attorney General resulting in monetary sanctions exceeding $ 1 million (including disgorgement and interest but excluding forfeiture, restitution, or compensation to victims) will receive not more than 30 percent of the monetary sanctions collected and will receive increased protections; (3) increased penalties for violations of the BSA; (4) improvements to existing information sharing provisions that permit financial institutions to share information relating to suspicious activity reports with foreign branches, subsidiaries, and affiliates (except those located in China, Russia, or certain other jurisdictions) for the purpose of combating illicit finance risks; and (5) expanded duties and powers of FinCEN. On September 29, 2022, FinCEN issued **the** final regulation implementing the amendments with respect to beneficial ownership ~~. We expect to incur transition and ongoing costs to comply with the amendments~~ . Prohibitions Against Tying Arrangements. Federal savings banks are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution. ~~Climate~~ **20Climate** - Related Regulation and Risk Management. In recent years **,** the federal banking agencies have increased their focus on climate- related risks impacting the operations of banks, the communities they serve and the broader financial system. Accordingly, the agencies have begun to enhance their supervisory expectations regarding the climate risk management practices of larger banking organizations, including by encouraging such banks to: ensure that management of climate- related risk exposures has been incorporated into existing governance structures; evaluate the potential impact of climate- related risks on the bank' s financial condition, operations and business objectives as part of its strategic planning process; account for the effects of climate change in stress testing scenarios and systemic risk assessments; revise expectations for credit portfolio concentrations based on climate- related factors; consider investments in climate- related initiatives and lending to communities disproportionately impacted by the effects of climate change; evaluate the impact of climate change on the bank' s borrowers and consider possible changes to underwriting criteria to account for climate- related risks to mortgaged properties; incorporate climate- related financial risk into the bank' s internal reporting, monitoring and escalation processes; and prepare for the transition risks to the bank associated with the adjustment to a low- carbon economy and related changes in laws, regulations, governmental policies, technology, and consumer behavior and expectations. ~~On~~ **In** October ~~21,~~ 2021, the Financial Stability Oversight Council published a report identifying climate- related financial risks as an " emerging threat " to financial stability. **In October** ~~On December 16, 2021~~ **2023** , the OCC ~~issued proposed~~ **, the FDIC and the FRB jointly finalized** principles for climate- related financial risk management for ~~national banks~~ **banking organizations** with more than $ 100 billion in total assets. ~~On March 30, 2022 and December 2, 2022, the FDIC and FRB issued their own proposed principles, respectively, for climate risk management by larger banking organizations.~~ Although these risk management principles **do** ~~, if adopted as proposed, would~~ not apply to the Bank directly based upon our current size, the regulators have indicated that all banks, regardless of their size, may have material exposures to climate- related financial and other risks that require prudent management ~~. The federal banking agencies, either independently or on an interagency basis, are expected to adopt a more formal climate risk management framework for larger banking organizations in the coming months. In the interim, the Federal Reserve announced on September 29, 2022 that six of the largest U. S. banking organizations will participate in a climate scenario analysis program in order to assess the resilience of such organizations under various hypothetical scenarios involving climate- related, economic and financial variables~~ . As climate- related supervisory guidance is **further** formalized, and relevant risk areas and corresponding control expectations are further refined, we may be required to expend significant capital and incur compliance, operating, maintenance and remediation costs in order to conform to such requirements. ~~20In~~ **In** addition, states in which we conduct business have taken, or are considering taking, similar actions on climate- related financial risks. For example, in ~~September~~ **July** ~~2022~~ **2023** , **the Governor** ~~a sweeping package~~ of ~~40~~ **Michigan signed four bipartisan** bills ~~was~~ **, which streamline processes for solar energy in the state and expand the eligibility of properties and projects that can utilize Commercial Property Assessed Clean Energy financing for energy efficiency, clean energy and climate resiliency projects. Then, in October 2023, the Governor of California** signed **two climate- related disclosure bills** into law **. The Climate Corporate Data Accountability Act requires both public and private U. S. businesses with revenues greater than $ 1 billion doing business** in California ~~aimed at reducing air pollution~~ **to report their emissions comprehensively** , ~~oil consumption~~ **including scopes 1** , **2** ~~fossil fuel use in buildings and transportation~~ , and **3** ~~refinery pollution~~ , ~~while creating~~

beginning in 2026 (for 2025 data) and also requires reporting companies to get third- party assurance of their reports. The Climate- Related Financial Risk Act mandates that U. S. businesses with annual revenues over $ 500 ~~millions -~~ **million** ~~of new jobs~~ **operating in California to bi- annually disclose climate- related financial risks** and ~~saving the~~ **their mitigation strategies to** ~~state billions of dollars by avoiding~~ the ~~damages of pollution~~ **public, beginning January 1, 2026** . In ~~addition~~ **November 2023** , ~~several bills were signed into law in New York related to,~~ **the Michigan legislature passed the Clean Energy Future package and the Clean Energy Jobs Act.** ~~among~~ **Among** other things, **the Clean Energy Future package sets** a ~~zero- emission vehicle mandate~~ **100 % clean energy standard by 2040; requires all utilities to offer energy efficiency programs; increases energy efficiency standards** for ~~school~~ **both electric and natural gas utilities; allows for electrification and fuel switching in energy efficiency programs; deems solar facilities as a permitted** ~~buses~~ - **uses** ~~and~~ **for farmland under a development rights agreement under** the state' s ~~fleet~~ **Farmland and Open Space Preservation Act; and allows new considerations for climate** , ~~addressing legal~~ **environmental justice and affordability by the Michigan Public Service Commission. The Clean Energy and Jobs Act creates the Office of Worker and Community Economic Transition,** ~~and~~ - **an office** ~~regulatory barriers~~ to ~~utilities' development of thermal~~ **protect workers and communities who have hosted fossil generation during the ongoing** energy ~~networks~~ **transition** , and ~~requiring~~ **streamlines processes for deploying renewable energy projects. That same month, the comment period closed on** the New York State Department of Environmental Conservation **draft policy implementing** ~~to conduct a study on~~ the ~~impacts~~ **environmental justice provisions** of the **Climate Leadership and Community Protection Act** ~~urban heat island on disadvantaged communities. In April 2022~~ , ~~Michigan~~ **New York** ' s **blueprint** ~~Department of the Environment, Great Lakes, and Energy released the final MI Healthy Climate Plan, which includes recommendations related~~ to **reduce greenhouse gas emissions** ~~environmental justice, electric vehicle infrastructure, decarbonization of homes and businesses, clean innovation hubs, and protection of the state' s land and water~~ . **As** ~~Furthermore, the attorneys general of California, New York and Michigan all joined a coalition of 19 attorneys general in supporting the SEC' s Proposed~~ **proposed ,** ~~Rules for The Enhancement and Standardization of~~ the ~~Climate- Related Disclosure for Investors File No. S7- 10- 22~~ **policy would require additional permit review procedures if the project is determined to likely affect a disadvantaged community** . State- level legislative initiatives such as those mentioned above may require us to expend capital to conform to any requirements that apply to us. **In March 2024, the SEC adopted a rule requiring registrants, such as the Company, to disclose climate- related information (including, among other things, governance, strategy, risk management, climate- related goals and greenhouse gas emissions metrics) in their periodic reports. The new rules are extensive with multiple effective dates based on the registrant' s filing status, with the first disclosures by the Company likely due with its Annual Report on Form 10- K for fiscal year 2026.** ~~Incentive~~ **21Incentive** Compensation Policies and Restrictions. In July 2010, the federal banking agencies issued guidance on sound incentive compensation policies that applies to all banking organizations supervised by the agencies (thereby including both Sterling Bancorp and ~~the~~ **Sterling** Bank). Pursuant to the guidance, to be consistent with safety and soundness principles, a banking organization' s incentive compensation arrangements should: (1) provide employees with incentives that appropriately balance risk and reward; (2) be compatible with effective controls and risk management; and (3) be supported by strong corporate governance including active and effective oversight by the banking organization' s board of directors. Monitoring methods and processes used by a banking organization should be commensurate with the size and complexity of the organization and its use of incentive compensation. The Dodd- Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines for specified regulated entities, such as us, having at least $ 1 billion in total assets, to prohibit incentive- based payment arrangements that encourage inappropriate risk- taking by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. ~~In October~~ **Pursuant to the SEC rule adopted in** 2022 ~~,~~ **and the related Nasdaq listing rule approved by** the SEC **thereafter, we** adopted **an** ~~final rules implementing the~~ incentive- based compensation recovery (or " clawback ") **policy** ~~provisions of the Dodd- Frank Act. The final rules direct stock exchanges to require listed companies to implement clawback policies~~ to recover incentive- based compensation from current or former executive officers in the event of material noncompliance with any financial reporting requirement under the securities ~~law~~ **laws** ~~and to disclose their clawback policies and their actions under those policies~~ . **A copy of our** ~~The Nasdaq has submitted its proposed~~ clawback policy ~~listing standards to the SEC. It~~ is **attached as Exhibit 97. 1** ~~anticipated that most registrants will have until late 2023 or early 2024~~ to **this Annual Report on Form 10- K** ~~adopt and implement the policies required by the final regulation~~ . The FRB will review, as part of its standard, risk- focused examination process, the incentive compensation arrangements of banking organizations, such as Sterling Bancorp, that are not " large, complex banking organizations. " These reviews will be tailored to each organization based on the scope and complexity of the organization' s activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization' s supervisory ratings, which can affect the organization' s ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk- management control or governance processes, pose a risk to the organization' s safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies. The scope and content of the federal banking agencies' policies on executive compensation may continue to evolve in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect our ability to hire, retain and motivate ~~its~~ **our** key employees ~~. 21Government and Regulatory Responses to the COVID- 19 PandemicThe COVID- 19 pandemic caused extensive disruptions to the global economy, to businesses, and to the lives of individuals throughout the world. There have been a number of regulatory actions taken to help mitigate the adverse economic impact of the COVID- 19 pandemic on borrowers, including mandates from the bank regulatory agencies requiring financial institutions to work constructively with borrowers affected by COVID- 19. Many of these actions were temporary and have expired; however, certain aspects of the regulatory framework that were modified as a~~

result of the pandemic remain in effect. For example, in response to the pandemic, the Federal Reserve implemented an interim final rule allowing banks to suspend enforcement of the six- transfer limit on convenient transfers from savings deposits under Regulation D in order to permit customers to make an unlimited number of convenient transfers and withdrawals amid pandemic- related financial disruptions and uncertainty. This amendment since has been adopted on a permanent basis. Congress took significant action to address economic disruptions caused by the COVID- 19 pandemic, including by enacting the Coronavirus Aid, Relief, and Economic Security (" CARES ") Act, as discussed further below, and the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the " Economic Aid Act "). In addition, the federal banking agencies, though rulemaking, interpretive guidance and modifications to agency policies and procedures, also have taken a series of actions to address regulatory capital, liquidity risk management, financial management and reporting, and operational considerations for banking organizations. As noted above, the bank regulatory agencies have given adequate flexibility to financial institutions who work with borrowers affected by COVID- 19 and indicated that they would not criticize institutions who do so in a safe and sound manner. Further, the bank regulatory agencies have encouraged financial institutions to report accurate information to credit bureaus regarding relief provided to borrowers and have urged the importance of financial institutions to continue to assist those borrowers impacted by COVID- 19 . Other RegulationsInterest and other charges collected or contracted for by Sterling Bank are subject to state usury laws and federal laws concerning interest rates. Loan operations are also subject to state and federal laws applicable to credit transactions, such as the: ● Truth- In- Lending Act, governing disclosures of credit terms to consumer borrowers; ● Home Mortgage Disclosure Act of 1975 (" HMDA ") , requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves. Notably, the **EGRRCPA** Economic Growth Act exempted banks that originate fewer than 500 open- end and 500 closed- end mortgages from HMDA **Home Mortgage Disclosure Act** ' s expanded data disclosures; ● Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; ● Truth in Savings Act; governing disclosure of information about deposit accounts to customers; ● Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies; and ● Rules and regulations of the various federal and state agencies charged with the responsibility of implementing such federal and state laws. The **22The** deposit operations of Sterling Bank also are subject to, among others, the: ● Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; ● Check Clearing for the 21st Century Act (also known as Check 21), which gives substitute checks, such as digital check images and copies made from that image, the same legal standing as the original paper check; and22 -- **and** ● Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services. Federal Home Loan Bank SystemSterling Bank is a member of the FHLB system, which consists of 11 regional FHLBs. The FHLB provides a central credit facility primarily for member institutions. The Bank is required to acquire and hold shares of capital stock in the FHLB of Indianapolis and was in compliance with this requirement at December 31, 2022 **2023** . Based on redemption provisions of the FHLB of Indianapolis, the stock has no quoted market value and is carried at cost. The Bank reviews for impairment, based on the ultimate recoverability, the cost basis of the FHLB of Indianapolis stock. **Federal Reserve Bank SystemSterling Bank is a member of its regional Federal Reserve Bank.** As **a covered savings association, the Bank is required to acquire and hold shares** of **capital stock of the Federal Reserve Bank of Chicago and was in compliance with this requirement at** December 31, 2022 **2023 . Based on the redemption provisions of the Federal Reserve Bank of Chicago** , **the stock has** no **quoted market value and is carried at cost. The Bank reviews for** impairment has been recognized **, based on the ultimate recoverability, the cost basis of the Federal Reserve Bank of Chicago stock** . Business Continuity ManagementThe Company is required to implement and maintain business continuity and disaster recovery plans to ensure its resilience and continued operations in the event of significant business disruptions related to cybersecurity events, natural disasters and other potentially catastrophic events. Such plans are intended to be aligned with banking organizations' risk profiles and roles within the overall financial services sector. Plans must contain proactive measures to safeguard banking organizations' employees, customers and products and establish response procedures in the event of significant business disruptions. The Federal Financial Institution Examination Council (the " FFIEC ") (comprising the FRB, the FDIC, the OCC, the National Credit Union Administration and the CFPB) updated its business continuity planning guidance in response to the COVID- 19 pandemic to include additional considerations related to pandemic planning. The guidance identifies actions beyond a traditional business continuity planning that should be taken to address certain unique challenges posed by pandemics. Specifically, a financial institution' s planning should provide for, among other things; a preventative program (including monitoring of potential outbreaks, educating employees, providing appropriate hygiene training and tools, and coordinating with critical service providers); a documented strategy that provides for scaling the institution' s pandemic efforts to be consistent with the effects of a particular stage of a pandemic outbreak; a comprehensive framework of facilities, systems, or procedures that provide the firm with the capability to continue critical operations during prolonged staff shortages; and a testing program to ensure that the planning practices and capabilities are effective and will allow critical operations to continue. LIBOR DiscontinuationThe Company has entered into certain financial contracts that utilize the soon- to- be-discontinued LIBOR. On July 1, 2020, the FFIEC published guidance for financial institutions on the supervisory, risk management and planning considerations relating to the transition away from LIBOR as a reference rate for a variety of financial contracts. On November 30, 2020, the federal banking agencies published a joint statement on the LIBOR transition in which the agencies expressed their view that any financial institution which enters into new financial contracts that use LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks. Accordingly, the banking agencies encouraged institutions to cease entering into new contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. The joint statement also provided that financial contracts entered into before December 31, 2021

should either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after LIBOR' s discontinuation. In accordance with recent developments and the interagency guidance described above, the Bank has ceased using LIBOR for new originations on March 8, 2021 and began originating loans based on the U. S. Treasury one- year constant maturity Treasury rates thereafter; however, the Company' s adjustable- rate loan products that are LIBOR- indexed currently continue to reset based on LIBOR. On April 6, 2021, legislation was adopted in New York State that provides for the use of a statutory replacement for U. S. dollar LIBOR in certain New York law legacy contracts. On March 15, 2022, the Consolidated Appropriations Act of 2022, among other things, provided for the use of interest rates based on SOFR in certain contracts currently based on LIBOR and a safe harbor from liability for utilizing SOFR-based interest rates as a replacement for LIBOR. Regulations implementing this legislation were enacted by the FRB in a final rule on December 16, 2022. Pursuant to the new federal legislation as well as the New York State legislation, upon the cessation of the publication of the three- month LIBOR rate, the Company' s subordinated notes and our LIBOR- based loans will bear interest at a rate based on SOFR. For further discussion related to LIBOR transition, see " Item 1A. Risk Factors – – Risks Related to Interest Rates – – Uncertainty relating to the LIBOR discontinuation and replacement may adversely affect our results of operations. " 23Holding -- **Holding** Company RegulationSterling Bancorp is a unitary thrift holding company subject to regulation and supervision by the FRB. The FRB has enforcement authority over Sterling Bancorp and its non- savings institution subsidiaries. Among other things, this authority permits the FRB to restrict or prohibit activities that are determined to be a risk to Sterling Bancorp. As **23As** a unitary thrift holding company, Sterling Bancorp' s activities are limited to those activities permissible by law for financial holding companies. A financial holding company may engage in activities that are financial in nature, incidental to financial activities or complementary to a financial activity. Such activities include lending and other activities permitted for bank holding companies under Section 4 (c) (8) of the Bank Holding Company Act of 1956, as amended (the " BHCA ") , insurance and underwriting equity securities. Federal law prohibits a unitary thrift holding company, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5 % of another savings institution or unitary thrift holding company without prior written approval of the FRB, and from acquiring or retaining control of any depository institution. In evaluating applications by holding companies to acquire savings institutions, the FRB must consider such things as the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on and the risk to the DIF, the convenience and needs of the community and competitive factors. A unitary thrift holding company may not acquire a savings institution in another state and hold the target institution as a separate subsidiary unless it is a supervisory acquisition under Section 13 (k) of the Federal Deposit Insurance Act or the law of the state in which the target is located authorizes such acquisitions by out- of- state companies. **Notwithstanding Sterling Bancorp' s status as a unitary thrift holding company, as a company that controls a depository institution that has elected to be treated as a covered savings association, Sterling Bancorp generally is treated as a bank holding company for regulatory purposes.** Capital Requirements. As a unitary thrift holding company, Sterling Bancorp is subject to consolidated regulatory capital requirements that are similar to those that apply to Sterling Bank. **As discussed above, the Company and the Bank presently are subject to the minimum Tier 1 leverage ratio requirement established under the CBLR framework.** See " **"** — Federal Banking Regulation — Capital Requirements. " The Dodd- Frank Act extended the source of strength doctrine to unitary thrift holding companies. The FRB has promulgated regulations implementing the source of strength policy that require holding companies to act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress. The FRB has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies and unitary thrift holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization' s capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the company' s net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company' s overall rate of earnings retention is inconsistent with the company' s capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. The policy statement also states that a holding company should inform the FRB supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, as of the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. We are currently required to obtain the approval of the FRB prior to declaring any cash dividend on our capital stock or engaging in any repurchase of our common stock. We are also required to obtain the approval of the FRB prior to issuing any debt. In order for Sterling Bancorp to be regulated as a unitary thrift holding company by the FRB, rather than as a bank holding company, Sterling Bank must qualify as a QTL under federal regulations or satisfy the domestic building and loan association test under the Internal Revenue Code. Under the QTL test, a savings institution is required to maintain at least 65 % of its portfolio assets (total assets less: (i) specified liquid assets up to 20 % of total assets; (ii) intangible assets, including goodwill; and (iii) the value of property used to conduct business) in certain qualified thrift investments (primarily residential mortgages and related investments, including certain mortgage- backed and related securities) in at least nine out of each 12- month period. At December 31, 2022, Sterling Bank maintained 86 % of its portfolio assets in qualified thrift investments and was in compliance with the QTL requirement. 24Change -- **Change** in Control RegulationsUnder the Change in Bank Control Act, no person may acquire control of a unitary thrift holding company such as Sterling Bancorp unless the FRB has been given 60 days prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25 % of any class

of voting stock, control in any manner of the election of a majority of the institution' s directors, or a determination by the regulator that the acquirer has the power, directly or indirectly, to exercise a controlling influence over the management or policies of the institution. Acquisition of more than 10 % of any class of a unitary thrift holding company' s voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as in our case, the company has registered securities under Section 12 of the Securities Exchange Act of 1934 **(the" Exchange Act")** . ~~In~~ **24In** addition, federal regulations provide that no company may acquire control of a unitary thrift holding company without the prior approval of the FRB. Any company that acquires such control becomes subject to registration, examination and regulation by the FRB. ~~Effective as of September 30, 2020, the FRB adopted a final rule for control and divestiture proceedings under~~ **Under** ~~the BHCA and the HOLA. The final rule does not apply to control determinations under the Change in Bank Control Act, Sections 23A and 23B of~~ the Federal Reserve **' s regulations implementing the Bank Holding Company** Act **of 1956, as amended,** and **HOLA** ~~its implementing Regulation W or Regulation O. Under the final rule~~ , control determinations are ~~to be~~ made according to a ~~more~~ rules- based methodology. Presumptions of control generally are based on ownership of voting equity and total equity in a company, director representation and ability to elect directors, director and management interlocks, contractual rights to determine management or operational decisions, and business relationships. The **regulations** ~~final rule establishes~~ -- **establish** a general three- prong test for determining whether a company controls a bank or savings association. Pursuant to this test, a company controls another company if the first company, directly or indirectly or acting through one or more other persons, (i) owns, controls or has power to vote 25 % or more of any class of voting securities of the second company, (ii) controls in any manner the election of a majority of the directors of the other company, or (iii) based on the facts and circumstances of the investment, directly or indirectly exercises a controlling influence over the management or policies of the other company. The ~~final rule~~ **regulations also** ~~includes~~ - **include** rebuttable presumptions of control based on a tiered framework focused on equity ownership, business relationships, control over the election of directors, director and senior management interlocks, as well as business terms and contractual arrangements. In addition to the rebuttable presumptions under the tiered framework, the **regulations establish** ~~final rule includes~~ other rebuttable presumptions of control and non- control focused on prior control relationships, management agreements, investment adviser arrangements, consolidation under generally accepted accounting principles, and equity ownership levels. As a general matter, the tiers will vary based on percentage of voting ownership with additional requirements to qualify for the rebuttable presumption at voting ownership levels of 5 % or greater, 10 % or greater, and 15 % or greater. **Separately** ~~The final rule has had~~ , **the federal banking agencies** ~~and will likely continue to~~ have **taken certain actions** ~~, a meaningful impact on control determinations related to investments~~ in **response to** ~~banking institutions and bank holding companies and investments by bank holding companies in nonbank companies implicating the BHCA or HOLA. Following~~ the July 2021 Executive Order ~~calling~~ **to review and propose modifications to the existing regulatory framework** for **bank** ~~increased competition in the U. S. marketplace, the Federal Trade Commission (" FTC ") and DOJ are more closely scrutinizing proposed mergers~~ - **merger transactions** ~~and acquisitions (" M & A "), including within the financial services industry, that have the potential to limit competition~~ . **On** ~~In addition, on~~ March 25, 2022, the FDIC issued a request for public comment on the effectiveness of the existing framework for evaluating bank ~~M & A~~ **merger and acquisition** transactions under the Federal Deposit Insurance Act. ~~The~~ **On January 29, 2024, the** OCC **— after conducting** ~~is~~ **its** ~~considering conditioning~~ **own review of bank merger policy and regulations — announced a proposed rule to amend the procedures and principles followed by the OCC when reviewing proposed national bank merger transactions under the Bank Merger Act. If adopted as proposed, the rule would eliminate existing regulatory procedures under the OCC' s regulations providing for expedited review and streamlining of Bank Merger Act applications for acquiring institutions that meet certain minimum qualifications. Additionally, the proposed rule would codify an agency policy statement outlining general principles to be followed by the OCC staff when reviewing applications under the Bank Merger Act. Such principles would, among other things, establish indicators of proposed transactions that generally are consistent with regulatory** approval ~~of large bank mergers on " actions and credible commitments~~ , **as well** ~~" which would result in mergers of large banking organizations being subject to similar requirements~~ as those ~~applicable~~ **that raise supervisory or regulatory concerns and therefore would require applicants** to ~~Global Systemically Important~~ **address or remediate specific areas of concern in order to secure regulatory approval. Of note, any transaction whereby the resulting institution would have combined assets of $ 50 billion or more would not be generally consistent with regulatory approval, nor would any transaction for which the applicant has insufficient CRA or examination ratings, is the subject of an open or pending BSA / AML or fair lending enforcement action or has failed to comply with the terms of an existing enforcement action. In such cases,** ~~Banks~~ - **Bank Merger Act applications would be subject to additional scrutiny** ~~(or " G- SIBs "). Further, the Federal Trade Commission (" FTC ")~~ and ~~the DOJ announced~~ **are more likely to involve extended processing periods and / or result** in ~~January 2022~~ **denials of approval or regulatory requests to withdraw the application. The proposed rule is subject to** a ~~joint~~ public **comment period** ~~inquiry aimed at strengthening the agencies' enforcement against mergers that would violate the federal antitrust laws. As a result~~ , ~~the FTC~~ and ~~DOJ are believed to be more closely evaluating proposed mergers and acquisitions, including within~~ the ~~financial services sector, that have the potential to limit competition. The~~ timing and prospects for the ~~formal~~ adoption by the **OCC** ~~federal banking agencies~~ of **a final rule are not** ~~modified regulatory standards for the evaluation of bank mergers and acquisitions is uncertain~~ -- **certain** at this time **. If the proposed rule is adopted as proposed, our ability to further grow through bank acquisitions may be adversely affected. Further, should we pursue future bank acquisitions, we expect the bank regulatory approval process to be prolonged and more costly than we have experienced in the past** . For additional information, see " Item 1A. Risk Factors — Risks Related to Our Highly Regulated Industry ~~— Recent actions by the U. S. Government regarding competition in the financial services and technology sectors may adversely impact our business~~ . " ~~25Emerging Growth Company StatusThe Jumpstart Our Business Startups Act of 2012 (the " JOBS Act "), which was enacted in April 2012, has made numerous changes to the federal~~

~~securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than $ 1. 235 billion during its most recently completed fiscal year qualifies as an " emerging growth company. " A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of $ 1. 235 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three- year period, issued more than $ 1. 0 billion in non- convertible debt; or (iv) the date on which such company is deemed to be a " large accelerated filer " under SEC regulations (generally, at least $ 700 million of voting and non- voting equity held by non- affiliates). We qualified as an emerging growth company from our initial public offering in 2017 until December 31, 2022, when we no longer qualified due to the passage of the 5- year period since the initial public offering.~~ AVAILABLE INFORMATIONOur Internet address is www. sterlingbank. com. We will make available free of charge in the investor relations section of our website our Annual Reports on Form 10- K, Quarterly Reports on Form 10- Q, Current Reports on Form 8- K and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with (or furnished to) the SEC. Information contained on our website is not incorporated by reference into this Annual Report on Form 10- K. In addition, the SEC maintains an Internet site, sec. gov, that includes filings of and information about issuers that file electronically with the SEC. ~~26ITEM~~ **25ITEM** 1A. RISK FACTORSWe face a number of significant risks and uncertainties in connection with our operations. Our business and the results of our operations could be materially adversely affected by the factors described below. The risks described below are not the only risks facing our operations. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also could have a material adverse impact on our business and results of operations. Risks Related to **Our StrategyThe successful implementation of a new strategic plan may be difficult, and we may not be able to fully execute a new strategic plan, which may adversely impact our business, results of operations, and financial condition. We have historically been a community bank with a thrift charter, offering deposit products and focusing on one- to four- family residential loans, commercial loans, commercial real estate loans, construction loans and commercial lines of credit. Over the past several years, we have resolved formal investigations of the Company by the OCC, DOJ and SEC related to a previous residential loan product referred to as** the Advantage Loan **Program. During 2023** ~~ProgramPending government investigations may result in adverse findings~~ , ~~reputational damage, the imposition~~ **we discontinued all residential lending following our elimination** of ~~sanctions and other~~ -- **the** ~~negative consequences~~ **Advantage Loan Program several years earlier and after being informed in late 2022 by our third- party service provider to whom we outsourced our residential mortgage origination function of its intent to cease conducting business. Last year, we also made a formal election to be treated as a covered savings association, which allows us to construct a balance sheet without being subject to the QTL test** that ~~could adversely affect our financial condition and future operating results~~ **otherwise requires us to be significantly invested in mortgage- related assets** . ~~The~~ **In addition, in 2023, the** Bank **distributed $ 90. 0 million** ~~has~~ - **as a dividend to** ~~received grand jury subpoenas from~~ the ~~DOJ beginning in~~ **Company to fund the redemption of the Company' s 7 % Fixed to Floating Subordinated Notes, due April 15,** ~~2020~~ **2026** ~~requesting~~ **(** the ~~production of documents~~ **" Subordinated Notes ")** and ~~information~~ **the restitution payment due under the Plea Agreement. Although the Bank and the Company remain** in ~~connection~~ **compliance** with ~~an investigation that is focused on~~ **all applicable regulatory capital requirements, these distributions reduced** the Bank' s ~~Advantage Loan Program~~ **excess capital, which otherwise could have supported future growth. With the resolution in mid- 2023 of the last of the government investigations that targeted the Bank and the Company, we commenced a full evaluation of our business and strategic alternatives. To that end, we engaged a consulting firm to help us develop a comprehensive strategic plan that we expect will include the incorporation of new banking products and services in light of our new status as a covered savings association as well as a financial advisor to assist with the exploration and evaluation of potential strategic alternatives. However, the economic volatility caused by fears of a recession and the prevailing high interest rate environment have made it difficult for us to project a viable growth plan. The creation of new banking products and services focused on the California market will be expensive to build out and challenging to recruit and retain appropriate additional personnel to pursue and support. Further, the Company would require access to capital markets that would allow the Company to efficiently raise capital to cover the significant expense of a new platform buildout without unreasonable dilution of the existing shareholder base. We believe that prevailing economic conditions and the lack of a robust capital market for community banks create significant limitations on pursuing a new strategic direction. Accordingly, the execution and implementation of any new strategic plan may be further delayed. If the execution and implementation of any new strategic option continues to be further delayed, the effect of the prevailing economic environment on our current strategy is likely to result in our balance sheet continuing to decline in size rather than growing along with limited profitability and the potential to incur net losses, all of which is likely to have** ~~and~~ - **an** ~~related issues~~ **adverse effect on our business, results of operations and financial condition. There are risks and uncertainties associated with the implementation and execution of a new strategic plan** , including ~~residential lending practices~~ **the investment of significant time, money** and ~~public disclosures about~~ **resources, the possibility** that ~~program contained~~ **such strategic plan will ultimately be unprofitable, and the risk of additional liabilities associated with such strategic plan. In addition, we believe our ability to successfully execute on any new initiatives will depend** in **part on our ability to attract and retain talented individuals to help manage and grow these new operations. Our successful execution of any strategic plan will require satisfactory market conditions that will allow us to grow profitably. Furthermore, the existence of alternative strategies may not necessarily result in a more viable growth path for us or that the strategic alternative chosen will result in short- term growth, and any alternative strategies have their own respective risks. To the extent we are unable to successfully develop, implement, and execute a new strategic plan, or if we experience further**

delays in the planning and implementation process, our business, financial condition and results of operations may be adversely affected. 26The evaluation of strategic alternatives may not result in a strategic transaction, which may adversely impact our business, results of operations, and financial condition. As part of our board of directors' strategic planning process, we engaged a financial advisor to assist with the exploration and evaluation of potential strategic alternatives, which may include a sale of the Company, a merger or other business combination, a sale of all or a material portion of the Company' s ~~filings with the SEC~~ **assets or a recapitalization** . **The current** ~~During 2021, the DOJ charged by criminal information the former managing director of residential lending~~ and **future market for** ~~senior loan officer of the Bank and two other former loan officers with conspiracy to commit~~ bank **stocks** and **for bank combinations may not be conducive** ~~wire fraud in connection with the Advantage Loan Program, and each individual has pled guilty~~ to ~~that charge~~ **engaging in a strategic transaction in the near- term** . The **current market for strategic transactions** ~~criminal information and plea agreement with respect to the former managing director of residential lending asserts that the individual acted with the knowledge and encouragement of certain former members of senior management. The Bank and the Company are fully cooperating with the DOJ investigation. On March 15, 2023, the Company entered into the Plea Agreement with the DOJ, resolving the DOJ' s investigation. Under the Plea Agreement, the Company has agreed to plead guilty to one count of securities fraud primarily relating to disclosures with respect to the Advantage Loan Program contained in the Company' s 2017 IPO Registration Statement and its~~ **is** ~~immediately following Annual Reports~~ **challenging due to uncertainty over the economy and the impact of high interest rates** on ~~Form 10- K filed in March 2018 and March 2019; pay $ 27. 2 million in restitution for the benefit of non- insider victim shareholders; further enhance its compliance program and internal controls with respect to securities law compliance; and provide periodic reports to the DOJ with respect to compliance matters. No criminal fine was imposed. The Company' s obligations under the Plea Agreement are generally effective for three years. This resolution releases the Company, as well as the Bank~~ **bank balance sheets** ~~, from further prosecution for securities fraud and underlying mortgage fraud in the Advantage Loan Program. The Plea Agreement remains subject to final court approval. Based in part on the estimated financial impact of the DOJ resolution, we substantially increased our liability for contingent losses as of December 31, 2022~~ . In addition, **there are a number of significant proposed regulations from the federal banking agencies that may impact the market for bank combinations, including an expected update to the Bank Merger Guidelines promulgated by the agencies. Uncertainty as to the final result of these regulations along with the prevailing economic conditions may reduce the pool of strategic transaction partners for** the Company ~~remains under a formal investigation initiated by the SEC in the first quarter of 2021~~ . **Even if** ~~This investigation appears to be focused on accounting, financial reporting and disclosure matters, as well as the Company' s internal controls, related to the Advantage Loan Program. The Bank and the Company are fully cooperating with the SEC investigation. Although the Company and the Bank continue to remain under investigation by the SEC,~~ we **receive** ~~currently believe that the SEC' s investigation will not result in~~ an **acceptable proposal for a strategic transaction** ~~enforcement action against the Company. However~~ , there **is** ~~can be~~ no assurance that ~~(i)~~ we **can successfully negotiate a definitive agreement or obtain the requisite shareholder and regulatory approvals to proceed with such a transaction. Accordingly, we can provide no assurance that our process of evaluating strategic alternatives** will **result in a transaction or if a transaction is undertaken as to its terms or timing. Further, if we do** not ~~incur material losses due to damages~~ **engage in a transaction with a strategic partner** , ~~penalties~~ **our future success will depend on our ability to effectively develop** , **implement and execute a new strategic plan, which is likely to be expensive and require a capital infusion to cover the related** costs and ~~/~~ **allow** ~~or~~ **for** ~~expenses as a result of such investigation or any~~ future ~~investigations;~~ **growth. The prolonged suspension of** ~~or~~ **our residential loan origination function may adversely** ~~(ii) such losses will not have a material~~ impact ~~on~~ our business, **results of operations and** financial condition ~~or results of operations. Adverse findings in these investigations could also result in additional regulatory scrutiny, constraints on the Bank' s business or other formal enforcement action. Such adverse findings could also have collateral consequences for the Company and the Bank, such as creating breaches of representation in certain third party agreements and loss of eligibility to participate in certain government programs and programs of government sponsored entities. Any of those events could have a material adverse effect on our future operations, financial condition, growth or other aspects of our business. In addition, management' s time and resources have been and will continue to be diverted to address the existing and any future government investigations and any related litigation, and we have incurred, and expect to continue to incur, significant legal and other costs and expenses in our defense of the investigations. 27The termination of our Advantage Loan Program has materially and adversely affected our results of operations and will continue to do so~~ . Our termination of the Advantage Loan Program over ~~three~~ **four** years ago eliminated the single largest source of loan originations **for the Company** and has yet to be replaced **. Beginning** ~~due to the government investigations as well as the remediation of regulatory compliance issues substantially completed~~ in the second ~~half~~ **quarter** of 2022 ~~. While the Company will continue~~ **, we outsourced our residential loan origination function** to ~~work on initiatives to diversify its overall~~ **a third- party service provider, which provided community banks with an outsourced residential lending service for mortgage** loan production ~~and~~ **. In November 2022, our vendor advised us of its intent** to ~~review~~ **cease conducting business, and in early 2023, we discontinued originating residential loans. While we have engaged a consulting firm to help us develop a comprehensive strategic plan that we expect will include the incorporation of** new **banking** ~~residential loan~~ products **and services in light of our status as a covered savings association** , the implementation of any new loan products takes time and **will be costly to implement. Such new products and services also** may be subject to the prior review and approval of applicable bank regulatory authorities. ~~We therefore have experienced, and expect to continue to experience, adverse effects on our residential loan production.~~ In addition, repayments from our loan portfolio ~~will~~ **may** need to continue to be invested in lower yielding assets **or utilized to fund any net deposit withdrawals, thus further reducing the size of our balance sheet** until new loan programs can commence. Accordingly, we expect that the ~~termination~~ **discontinuance** of **all residential lending** ~~the Advantage Loan Program~~ will continue to materially and adversely

affect our **business,** results of operations ~~. We are subject to claims from individuals for advancement of expenses~~ and ~~indemnification related to the government investigations related to the Advantage Loan Program. We and various individuals have been subject to several governmental investigations arising from the Advantage Loan Program and other government agencies also may request information or conduct investigations into the Advantage Loan Program and related matters. As these matters have proceeded or concluded, as applicable, over the past three years, we have received claims from current and former directors, officers and employees, as well as from our controlling shareholder, Scott J. Seligman, for the advancement or reimbursement of legal fees under applicable provisions of the Company' s and the Bank' s respective charters and bylaws, as well as pursuant to applicable law. In some instances, we have determined that advancement and indemnification is not consistent with applicable law and have denied those requests. To the extent the government investigations continue and involve the cooperation of individuals entitled to advancement and indemnification, we are likely to continue to receive and pay such claims in accordance with our legal obligations. To the extent such payments are not reimbursed to us by our insurance carriers under applicable polices of directors and officers insurance, such payments may have a material adverse impact on our~~ financial condition ~~and results of operation~~. Further, the officers and directors that...... claims by Mr. Seligman. 28Risks -- **Risks** Related to the Economy and Financial Markets As a business operating in the financial services industry, our business, financial condition and results of operations may be adversely affected in numerous and complex ways by weak economic conditions and fiscal and monetary policies and regulations of the federal government and the FRB. Our business and operations, which primarily consist of lending money to customers in the form of loans, borrowing money from customers in the form of deposits and investing in securities, are sensitive to general business and economic conditions in the United States. If the U. S. economy weakens, our growth and profitability from our lending, deposit and investment operations could be constrained. Uncertainty about the federal fiscal policymaking process, the medium- and long- term fiscal outlook of the federal government and future tax rates is a concern for businesses, consumers and investors in the United States. In addition, economic conditions in foreign countries could affect the stability of global financial markets, which could hinder U. S. economic growth. Weak economic conditions are characterized by deflation or elevated inflation, fluctuations in debt and equity capital markets, a lack of liquidity and / or depressed or inflated prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. ~~The~~ **27The** current economic environment is characterized by **uncertainty as to whether underlying economic indicators point to a recession and what the negative impacts of a recession may be. Economists are split, predicting either a " soft landing " or a recession in 2024, emphasizing and weighing underlying economic indicators differently. Such indicators include** , among ~~other~~ **others** ~~factors~~ , elevated **(but easing)** inflation, **high** ~~significant increases in~~ interest rates **as a result of significant rate increases** that occurred ~~over the past twelve months~~ **from March 2022 to July 2023** , **the effect of** ~~supply chain disruptions,~~ a ~~sensitive and evolving~~ **currently inverted U. S. Treasury yield curve, a tightening** labor market **, declining savings (specifically from the exhaustion of pandemic- related assistance), cooling wage growth** and market volatility resulting from a variety of contributing factors, **including** ~~such as the ongoing military invasion of Ukraine by Russian forces and the related economic sanctions imposed by the U. S. and other nations on Russia, Belarus and~~ certain ~~Russian organizations~~ **geopolitical challenges** and ~~individuals~~ **instability. The yield curve has been inverted (with shorter- term interest rates exceeding longer- term interest rates) since the second half of 2022, which tends to pressure the net interest margin of financial institutions like us because the duration of the interest- earning assets we typically enter (e. g., loans or debt securities) is generally longer than that of our interest- bearing liabilities (e. g., deposits)** . All of these ~~factors~~ **indicators** are detrimental to our business, and the interplay between **them** ~~these factors~~ can be complex and unpredictable. Our business is also significantly affected by monetary and related policies of the U. S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. **Further, we cannot predict for how long the U. S. Treasury yield curve will be inverted. If the U. S. Treasury yield curve remains inverted, our net interest margin could continue to further compress.** Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition, results of operations and prospects. Notably, our net income and growth are affected by the policies of the FRB. An important function of the FRB is to regulate the money supply and credit conditions. Among the instruments used by the FRB to implement these objectives are open market purchases and sales of U. S. government securities, adjustments of the federal discount rate and changes in banks' reserve requirements against bank deposits. For more information regarding the FRB' s increases of the target federal funds rate, see " — Risks Related to Interest Rates ~~— Future changes in interest rates could reduce our net interest income and otherwise negatively impact our financial condition and results of operations~~ . " These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits. The monetary policies and regulations of the FRB have had a significant effect on the operating results of banks in the past and are expected to continue to do so in the future. The FRB reduced the pace of its open market purchases ~~as well as monitoring interest~~ **during 2023, and the Federal Open Market Committee (" FOMC ") paused the increases of the target range for the federal funds** ~~rates~~ - **rate in September 2023** in light of ~~elevated~~ **easing** inflation, **tightening credit and moderating** labor market conditions ~~and public health considerations, among other things~~ . The effects of such policies upon our business, financial condition and results of operations cannot be predicted. **The combination** ~~In addition, the tightening~~ of the ~~FRB~~ **FOMC** ' s **pause in the** ~~monetary policies, including repeated, aggressive~~ increases ~~in~~ **to** the target ~~range for the~~ federal funds rate ~~and the conclusion of the FRB' s tapering of asset purchases, together~~ with **the global** ~~ongoing economic and geopolitical~~ instability ~~, increases~~ **has created uncertainty with respect to** the risk of an economic recession. ~~Although~~ **The financial markets responded positively to the pause in target federal funds rate increases in September 2023, with Treasury yields declining and federal funds futures rates suggesting a decrease in rates as early as the second quarter of 2024 — all despite inflation easing below year- over- year levels, but still moderately elevated. On**

the other hand, recent global instability may adversely affect the economy and financial markets in numerous ways, including new supply chain disruptions (possibly leading to increased prices), volatility of commodity prices and resulting impacts to the financial markets. Further, economic indicators currently show that the growth of the U. S. gross domestic product slowed in the fourth quarter of 2023 and that the U. S. gross domestic product was currently projected to increase more slowly over the next two years. Together, these factors have caused forecasts ~~have varied~~ **to vary** , ~~many~~ **and although fewer** economists are projecting that **the United States** ~~U. S. economic growth~~ will ~~slow and inflation will~~ **enter into a recession in 2024 than a year ago, the risk of a recession** ~~remain~~ **remains** ~~elevated in~~ **due to** the **prolonged high interest rate environment and geopolitical instability** ~~coming quarters, potentially resulting in a contraction of U. S. gross domestic output in 2023~~ . Any such economic downturn may adversely affect our asset quality, deposit levels, loan demand and results of operations. **28In particular** ~~29As a result of the economic and geopolitical factors discussed above~~ , ~~financial institutions also~~ **we expect to** face heightened credit risk **in** ~~, among other~~ -- **the** ~~forms~~ **event** of ~~risk~~ **a recession** . Of note, because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral, which, in turn, can adversely affect the value of our loan and investment portfolios. The OCC recently reported that although residential real estate values have continued to rise in many markets, the rate of appreciation has slowed in recent quarters **, and the potential for declining asset values could place pressure on certain borrower segments and loan vintages** . Adverse economic developments ~~, —~~ specifically including ~~inflation~~ **the impacts of the tightening labor market (and the resulting effect on wage growth), declining savings (particularly excess savings from pandemic** - related ~~impacts~~ **assistance)** , **higher interest rates and sticky inflation —** may have a negative effect on the ability of our borrowers to make timely repayments of their loans or to finance future home purchases. Moreover, while commercial real estate values have returned to pre- pandemic levels in ~~several~~ **certain** markets, **overall** such values have declined ~~13~~ **10** % over the past twelve months. The outlook for commercial real estate remains dependent on the broader economic environment and, specifically, how major subsectors respond to a ~~rising~~ **high** interest rate environment **, hybrid working arrangements** and higher prices for commodities, goods and services. In each case, credit performance over the medium- and long- term is susceptible to economic and market forces **,** and therefore forecasts remain uncertain. Instability and uncertainty in the commercial and residential real estate markets, as well as in the broader commercial and retail credit markets, **due to a recession** could have a material adverse effect on our financial condition and results of operations. **Macroeconomic and geopolitical challenges and uncertainties affecting the stability of regions and countries around the globe, particularly the Russian military invasion of Ukraine, could have a negative impact on our business, financial condition and results of operations. Our business and operations are also sensitive to global business and economic conditions. Accordingly, macroeconomic and geopolitical challenges, uncertainties and volatility occurring across the globe may have a negative impact on our business and results of operations. For instance, the military invasion of Ukraine by Russian forces has created instability in that region and has escalated tensions between Russia and the United States and across Europe. In response to the actions taken by Russia, the United States has imposed, and is likely to continue to impose, significant financial and economic sanctions and export controls against certain Russian organizations and individuals, with similar actions being taken by the European Union, the United Kingdom and other jurisdictions. The actions taken by Russia in Ukraine, and any further measures that may be taken by the United States or its allies in response to such actions, have had and could continue to have certain negative impacts on global and regional financial markets and economic conditions. The United States has banned Russian imports of oil, natural gas and coal and other jurisdictions have taken, or are contemplating taking, similar actions. In addition, the attacks by Hamas on Israel in October 2023, Israel' s response and the ensuing armed conflict in the Middle East are likely to continue impacting the global economy, including that of the United States. Skirmishes between Israel and militias in neighboring countries have also added to concerns of a widening conflict in the Middle East. In particular, oil prices have become increasingly volatile in the aftermath of the attacks on Israel, placing additional upward pressure on fuel and energy prices — which already were rising based on other factors including a return to pre- pandemic levels of consumption, insufficient global production to match increasing demand and the global response to Russia' s invasion of Ukraine — and militia attacks against commercial ships in the Red Sea have caused shipping delays and other supply chain issues, including added costs for such imported goods. In addition, Ukraine' s ability to function as a significant supplier of commodities — including wheat, neon and platinum — used in the production of key energy, food and industrial outputs has been limited by Russia' s actions and has caused global prices in certain markets to fluctuate. The military invasion of Ukraine by Russian forces has been more protracted than expected and, as a result, global financial conditions were volatile throughout 2022 and 2023, and the escalation of armed conflict in the Middle East has amplified existing economic uncertainty experienced across the globe and could continue to have negative impacts on global and regional financial markets and economic conditions. For additional information, see " — Risks Related to Interest Rates. " In addition, economic trade and political tensions between the United States and China pose a risk to our business and customers. A substantial number of our customers have economic and cultural ties to China and are likely to feel the effects of adverse economic and political conditions in China, including the effects of rising inflation or slowing growth and volatility in the real estate and stock markets in China and other regions. United States and global economic and trade policies, military tensions and unfavorable global economic conditions may adversely impact the Chinese economy. As a result, we may experience a decrease in the demand for our financial products, a deterioration in the credit quality of the loans extended to customers affected by the foregoing circumstances, changes in loan repayment speeds or increased deposit outflows. 29Each of the developments described above, or any combination of them, could adversely affect our business, financial condition and results of operations. Volatility in the banking sector, triggered by the failures of Silicon Valley Bank, Signature Bank and First Republic Bank, has resulted in agency rulemaking activities and changes in agency policies and priorities that could subject the Company and the Bank**

to enhanced government regulation and supervision. On March 10, 2023, Silicon Valley Bank (“ SIVB ”) was closed by the California Department of Financial Protection and Innovation (the “ CDFPI ”). Two days later, on March 12, 2023, Signature Bank (“ SBNY ”) also failed. Nearly two months later, on May 1, 2023, First Republic Bank (“ FRC ”) was closed by the CDFPI. In each case, the FDIC was appointed as receiver. In the cases of SIVB and SBNY, the FDIC, together with the FRB and the U. S. Treasury Secretary, took action under applicable emergency systemic risk authority to fully protect the depositors of each bank as the institutions were wound down. SIVB and SBNY each had substantial business relationships with, and exposure to, entities within the innovation sector, including financial technology and digital asset companies, and had received an influx of deposits over the course of several years which coincided with the rapid growth of that sector. In ~~Recent~~ **recent periods, however, SIVB and SBNY each began to experience significant deposit losses. These losses increased rapidly in early March, ultimately causing each institution to fail. While FRC’ s business model was different in certain respects than those of SIVB and SBNY, FRC also experienced rapid growth. In the aftermath of the failures of SIVB and SBNY, FRC experienced significant deposit losses, which led ultimately to the failure of the institution. Investor and customer confidence in the banking sector, particularly with regard to mid- size and larger regional banking organizations, waned in response to the failures of SIVB, SBNY and FRC. Notably, the Company’ s share price decreased by approximately 9 % during March 2023, consistent with other regional banking organizations. According to data published by the FRB, deposits at domestic commercial banks decreased by approximately $ 280 billion between the end of February 2023 and the week ended March 29, 2023. The Bank’ s total deposits decreased by $ 32. 2 million, or 2 %, during the first quarter of 2023. Congress and the federal banking agencies have reviewed, and continue to evaluate, the events leading to the failures of SIVB, SBNY and FRC to ascertain explanations for these developments and to identify potential corrective actions. Legislators and the leadership of the federal banking agencies have noted that inadequate prudential regulation of regional banking organizations (generally, institutions with less than $ 250 billion in total assets), insufficient supervision of such organizations, poor management and inadequate risk management practices — specifically with respect to interest rate and liquidity risks in consideration of each institution’ s business model — and substantial uninsured deposit liabilities contributed to the failures of these institutions. Further evaluation of recent developments in the banking sector has led to governmental initiatives intended to prevent future** bank failures ~~may cause disruptions to the economy~~ and **stem significant deposit outflows from** the ~~U. S.~~ banking ~~system~~ **sector, including (i) agency rulemaking to modify and enhance relevant regulatory requirements, specifically with respect to liquidity risk management, deposit concentrations, capital adequacy, stress testing and contingency planning, and safe and sound banking practices; and (ii) enhancement of the agencies’ supervision and examination policies and priorities** . ~~In March~~ **Notably, in July** 2023, ~~two large banks were closed and placed into receivership~~ **the federal banking agencies issued a notice of proposed rulemaking that would substantially revise the regulatory capital framework for banking organizations** with **total assets of $ 100 billion** ~~the FDIC. Although we were not directly affected by these bank failures, this news caused depositors to withdraw~~ or **more** ~~attempt to withdraw their funds from these~~ and **banking organizations with significant trading activity. Among** other **things** ~~financial institutions as well as caused the stock prices of many financial institutions~~ , ~~including Sterling, to become volatile, some extremely so. The failure of these~~ -- **the proposed rule would require all banking organizations** ~~banks appears to be primary attributable to the combined impacts of the prevailing interest rate and inflationary environments, the concentration of credit risk associated~~ with **over $ 100 billion in assets** ~~the industries of certain borrowers (primarily the technology industry), large percentages of the institutions’ deposit bases being uninsured, and a lack of excess liquidity at these institutions due~~ to ~~significant market value reductions to their~~ **include in regulatory capital unrecognized gains and losses on** available for sale **debt** ~~and held to maturity investment~~ securities ~~portfolios from~~ **in accumulated** ~~the~~ **other comprehensive income** ~~rising interest rate environment. In response to these failures and the resulting market reaction, the Secretary of the Treasury approved actions enabling the FDIC to complete its resolutions of the two failed banks in a manner that fully protects depositors by utilizing the Deposit Insurance Fund, including the use of Bridge Banks to assume all of the deposit obligations of the failed banks, while leaving unsecured lenders and equityholders of such institutions exposed to losses~~ . In addition, ~~the FRB announced it~~ **banking organizations with over $ 100 billion in assets** would ~~make available additional~~ **be subject to the supplementary leverage ratio and countercyclical capital buffer. The proposed rule, if adopted as proposed, would not apply to the Bank directly based on the Bank’ s current asset size. The federal banking agencies may also re- evaluate applicable liquidity risk management standards, such as by reconsidering the mix of assets that are deemed to be high- quality liquid assets and / or how high- quality liquid assets holdings and cash inflows and outflows are tabulated and weighted for liquidity management purposes. Examiners at the federal banking agencies generally have increased their focus on levels of uninsured deposits, liquidity and contingency** funding **plans** ~~to eligible depository institutions under a Bank Term Funding Program to help assure banks have the ability to meet the needs of all their depositors~~ . ~~It is~~ **Although we cannot predict with** ~~uncertain~~ -- **certainty which proposed rules** ~~whether these steps by the government~~ will be ~~sufficient to calm~~ **adopted or if** ~~the~~ **other initiatives may be pursued by lawmakers and agency leadership, nor can we predict the terms and scope of any such initiatives, including whether community banks such as the Bank would be impacted, any of the proposed or potential changes referenced above could, among other things, subject us to additional costs, limit the types of** financial **services** ~~markets, reduce the risk of significant depositor withdrawals at other institutions~~ and **products** ~~thereby reduce the risk of additional bank failures. As a result of these recent events,~~ we **may offer** ~~face the potential for reputational risk~~ , ~~deposit outflows~~ and ~~increased credit risk~~ **limit our future growth, any of** which ~~, individually or in the aggregate,~~ could ~~have a material~~ **materially and** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our business, **results of operations or** financial condition ~~and results of operations~~ . ~~Our~~ **30Our** customer activity is affected by changes in the state of the general economy and the financial markets, a slowdown or downturn of which could adversely affect demand for our loan services and our results of operations. Our customer activity is

intrinsically linked to the health of the economy generally and of the financial markets specifically. In addition to the economic factors discussed above, a downturn in the real estate or commercial markets generally, which might occur as a result of, among other things, an increase in unemployment, ~~further disruptions to the supply chain,~~ a decrease in real estate values **, declining savings** or a slowdown in housing demand, could cause our customers and potential customers to exit the market for real estate or commercial loans. As a result, we believe that fluctuations, disruptions, instability or downturns in the general economy and the financial markets could disproportionately affect demand for our residential and commercial loan ~~services~~ **products** . If such conditions occur and persist, our business and financial results, including our liquidity and our ability to fulfill our debt obligations, could be materially adversely affected. ~~30Fiscal~~ -- **Fiscal** challenges facing the U. S. government could negatively impact financial markets which, in turn, could have an adverse effect on our financial position or results of operations. Recent federal budget deficit concerns and political conflict over legislation to raise the U. S. government' s debt limit of $ 31. 4 trillion have increased the possibility of a default by the U. S. government on its debt obligations, related credit- rating downgrades, or an economic recession in the United States. The U. S. Department of Treasury projected that the U. S. government' s debt limit of $ 31. 4 trillion would be reached in January 2023 and advised Congress that the U. S. Department of Treasury would need to take extraordinary measures to prevent default if such limit was reached; since then, the U. S. Department of Treasury has implemented a debt issuance suspension and curtailed its investment in certain governmental funds in response to the lack of legislation enacted to raise the U. S. government' s debt limit. Many of our investment securities are issued by the U. S. government and government agencies and sponsored entities. As a result of uncertain domestic political conditions, including the possibility of the federal government defaulting on its obligations for a period of time due to debt ceiling limitations or other unresolved political issues, investments in financial instruments issued or guaranteed by the federal government pose liquidity risks. In connection with prior political disputes over U. S. fiscal and budgetary issues leading to the U. S. government shutdown in 2011, ~~S~~ **Standard** & ~~P~~ **Poor' s** lowered its long- term sovereign credit rating on the **United States** ~~U. S.~~ from AAA to AA . A further downgrade, or a similar downgrade by other rating agencies, in response to current political dynamics, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the ~~U. S. and worldwide. The economic disruptions created by the COVID- 19 pandemic have adversely impacted, and may continue to adversely impact, our business and results of operations. The COVID- 19 pandemic created extensive disruptions to U. S. and global economic conditions and financial markets and to businesses and the lives of individuals throughout the world. Federal and state governments took unprecedented actions to respond to such disruptions, including by enacting fiscal stimulus and legislation designed to deliver monetary aid and other relief to businesses and individuals impacted by the pandemic. The widespread availability of multiple COVID- 19 vaccines and boosters has helped to curtail rates of infection in many parts of the~~ United States ~~, mitigating many of the adverse social and economic effects of the pandemic. However, vaccination rates in many geographies have been lower than anticipated and the emergence of novel variants of COVID- 19, as well as other viruses that largely were not present in many geographies for an~~ **and worldwide** extended period of time due to COVID......, financial condition and results of operations . Risks Related to Credit Changes in economic conditions, including continued inflation and the possibility of a recession, could cause an increase in delinquencies and nonperforming assets, including loan charge offs, which could depress our net income and growth. Our loan portfolio includes primarily **secured** real estate ~~secured~~ loans, demand for which may decrease and delinquencies of which may increase during economic downturns as a result of, among other things, an increase in unemployment, a decrease in real estate values, an increase in interest rates and a slowdown in housing. Significant ongoing financial risk continues to affect economic conditions in the United States as a whole and in the markets that we serve ~~. The OCC has recently reported that~~ , **including** ~~although Gross Domestic Product has rebounded in~~ the **risk** ~~United States during the third quarter~~ of **a** ~~2022, it is expected to decline modestly over the first half of 2023 and~~ recession ~~risks remain elevated due to factors including continued elevated levels of inflation and the corresponding upward pressure on interest rates~~ . As a result **of the economic uncertainty and should the economy worsen** , we could experience higher delinquencies and loan charge offs, as well as increases in nonaccrual loans and **loan modifications** ~~troubled debt restructurings~~ , which would reduce our net income and adversely affect our financial condition. In addition, a decline in real estate values as a result of adverse developments in the markets we serve could reduce the value of the real estate collateral securing our real estate loans, which could cause some of our real estate loans to be inadequately collateralized or affect our ability to sell such collateral upon foreclosure without a loss or additional losses. Furthermore, to the extent that real estate collateral is obtained through foreclosure, the costs of holding and marketing the real estate collateral, as well as the ultimate values obtained from disposition, could reduce our net income and adversely affect our financial condition. ~~32Our~~ **31Our** concentration in residential real estate loans exposes us to risks. At December 31, **2023 and** 2022 ~~and 2021~~ , one- to- four family residential real estate loans amounted to $ 1. **1 billion and $ 1.** 4 billion ~~and $ 1. 7 billion~~ , or **80 % and** 84 ~~% and 83~~ %, respectively, of our total gross loans ~~, and we intend to continue this type of lending in the foreseeable future~~ . Our nonperforming residential real estate loans decreased from $ ~~54. 3 million at December 31, 2021 to $~~ 35. 6 million at December 31, 2022 **to $ 9. 0 million at December 31, 2023** . 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. For example, in our residential lending markets in California, the current unemployment rate is higher than the national average. If borrowers are unable to meet their loan repayment obligations, our results of operations would be materially and adversely affected. In addition, a decline in residential real estate values as a result of an economic downturn in the markets we serve would reduce the value of the real estate collateral securing these types of loans. Such declines in real estate values could cause some of our residential mortgages to be inadequately collateralized, which would expose us to a risk of loss if we sought to recover on defaulted loans by selling the real estate collateral. Our commercial real estate loans are subject to credit risks, including changes in operating cash flows from the underlying properties or businesses, that may adversely impact our results of ~~operation~~ **operations** and financial condition. At December 31, ~~2022~~ **2023** , our commercial real estate

loans totaled $ 223 237 . 2 0 million, or 13 18 % of our total gross loans. Commercial real estate loans generally have more risk than residential real estate loans and generally have a larger average size compared to other types of loans, so losses incurred on a small number of commercial loans could have a disproportionate and material adverse impact on our financial condition and results of operations. The repayment of commercial real estate loans is often more sensitive than other types of loans to adverse conditions in the real estate market or the general business climate and economy because it is dependent on the successful operation or development of the property or business involved. In addition, the collateral for commercial real estate loans is generally less readily marketable than for residential real estate loans, and its value may be more difficult to determine. A primary repayment risk for commercial real estate loans is the interruption or discontinuation of operating cash flows from the properties or businesses involved, which may be influenced by economic events, changes in governmental regulations **, vacancies** or other events not under the control of the borrower. Adverse developments affecting commercial real estate values in our market areas could increase the credit risk associated with these loans, impair the value of property pledged as collateral for these loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. ~~Moreover, as of August 2,~~ **Commercial real estate markets have been facing downward pressure since** 2022 **due in large part to higher interest rates** , **declining property values and a slowed transaction market. Accordingly, the federal banking agencies, including** the OCC, ~~together~~ **have expressed concerns over weaknesses in the current commercial real estate market and have applied increased scrutiny to institutions** with ~~the FDIC~~ **commercial real estate loan portfolios that are growing quickly or are large relative to** ~~and~~ - **an** ~~the National Credit Union Administration~~ **institution' s total capital. To address supervisory expectations regarding financial institutions' handling of commercial real estate borrowers experiencing financial difficulties** , ~~has proposed a new~~ **in June 2023, the federal banking agencies issued an interagency** policy statement addressing prudent commercial real estate loan accommodations, changes in accounting principles, and revisions and additions to commercial real estate loan workouts **. Our failure** ~~, which, if adopted, may require us~~ to ~~re- evaluate our~~ **implement adequate risk management controls for** commercial real estate credit underwriting and servicing ~~practices and~~ **, as well as** related accounting processes, ~~and therefore~~ could **adversely** affect our business in this area. **A** ~~Our construction loans are subject to a variety of risks that may adversely impact our results of operation and financial condition. At December 31, 2022, our construction loans totaled $ 44. 5 million, or 3 % of our total gross loans. In addition to the risks generally applicable to commercial real estate loans, the risks inherent in construction lending include, among other things, the possibility that contractors may fail to complete — or complete on an untimely basis — construction of the relevant properties, substantial cost overruns in excess of original estimates and financing, market deterioration during construction and lack of permanent take- out financing of presold properties. Loans secured by such properties also involve additional risk because of the relatively limited operating history available for them. For these loans, loan funds are advanced upon the security of the project under construction (which is of uncertain value prior to completion of construction) and the estimated operating cash flow or sale proceeds to be generated by the completed project. To compete for construction loans, in prior years we generally originated loans where the borrowers' relative investment and value- at- risk in an underlying construction project were either at our policy limits for such exposures or constituted approved exceptions to these limits. As a result, changes in the expected value of a completed project may reduce those borrowers' economic incentives to complete a delayed construction project expediently. With many commercial construction projects requiring an extended time to market in the current environment, some of our borrowers may exhaust their liquidity. While we seek personal or affiliate guarantees for construction loans to provide alternative sources of repayment in the event that a project underperforms or fails to be completed, our assessments of guarantors' financial capacity to support repayment of these loans in light of their other commitments may not be correct, and guarantors' wealth and liquidity may be correlated with borrowers' business or economic conditions generally, which could make these guarantees less valuable as loan collateral when most needed. 33A~~ substantial majority of our loans and operations are in California, and therefore our business is particularly vulnerable to a downturn in the local economies in which we operate. Unlike larger financial institutions that are more geographically diversified, a large portion of our business is concentrated primarily in the state of California, specifically in the San Francisco and Los Angeles **metropolitan** areas. As of December 31, ~~2022~~ **2023** , approximately ~~82~~ **80** % of our loan portfolio was based in California with concentrations in the San Francisco and Los Angeles **metropolitan** areas of ~~54~~ **56** % and ~~28~~ **24** %, respectively. If the local California economies, and particularly local real estate markets, decline, the rates of delinquencies, defaults, foreclosures, bankruptcies and losses in our loan portfolio would likely increase. Similarly, catastrophic natural events such as earthquakes or wildfires could have a disproportionate effect on our financial condition. More, an ongoing financial slowdown within the technology industry may pose unique financial hardships to the San Francisco Bay Area due to industry concentration in the region, thus impacting the overall regional economy. As a result of this lack of geographic diversification in our loan portfolio, a downturn in the local economies generally and in real estate markets specifically could significantly reduce our profitability and growth and have a material adverse effect on our **results of operations and** financial condition. ~~Our~~ **32Our** allowance for ~~loan~~ **credit** losses may not be sufficient to cover losses in our loan portfolio, and any resulting increase in our allowance for ~~loan~~ **credit** losses or loan charge offs could decrease our net income. ~~Loan customers may not repay~~ **As of January 1, 2023, we adopted** ~~their~~ -- **the** ~~loans according to the terms of~~ **current expected credit loss model for accounting for** ~~their~~ -- **the estimate** ~~loans, and the collateral securing the payment~~ of ~~their loans may be insufficient to assure repayment. We may experience significant~~ credit losses **related to financial assets measured at amortized cost** , **including loan receivables and other contracts, such as off- balance sheet credit exposure, specifically, loan commitments and standby letters of credit, financial guarantees and other similar instruments. Under the current expected credit loss model, the allowance for credit losses is established based upon our current estimate of expected lifetime credit losses, for** which ~~could have a material adverse effect on our operating results~~ **we use relevant available information related to past events, current conditions and reasonable and supportable forecasts** . In determining the **total** ~~amount of the~~ allowance for **credit losses, we calculate the quantitative portion of the allowance for credit losses**

using the Probability of Default / Probability of Attrition model, which is a logistic regression model, and add the qualitative adjustments to the model results along with the results from any individual loan ~~losses, management periodically assesses~~ **assessments** ~~various quantitative and qualitative factors affecting the loan portfolio~~ . The determination of the appropriate level of allowance for ~~loan~~ **credit** losses is subject to various assumptions and judgments and requires us to make significant estimates of current credit risks and the collectability of loans, the value of real estate and other assets serving as collateral for the repayment of loans and future trends, all of which are subject to material changes. If our assumptions and estimates prove to be incorrect, the allowance for ~~loan~~ **credit** losses may not cover ~~incurred~~ **current expected credit** losses in the loan portfolio at the date of the financial statements. Significant ~~additions~~ **increases** to the allowance for ~~loan~~ **credit** losses would materially decrease net income. Nonperforming loans may increase, and nonperforming or delinquent loans may adversely affect future performance. In addition, federal regulators periodically review the allowance for ~~loan~~ **credit** losses and may require an increase in the allowance for ~~loan~~ **credit** losses or the recognition of further loan charge offs. Any significant increase in our allowance for ~~loan~~ **credit** losses or loan charge offs as required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition. The Financial Accounting Standards Board has issued...... strategic, regulatory and compliance risks. Risks Related to CompetitionStrong competition within our market...... condition and results of operations. 40Risks Related to Interest RatesFuture changes in interest rates could reduce our net interest income and otherwise negatively impact our financial condition and results of operations. The majority of our banking assets are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our net income and cash flows depend to a great extent upon the level of our net interest income, or the difference between the interest income we earn on loans, investments and other interest earning assets and the interest we pay on interest- bearing liabilities, such as deposits and borrowings. Changes in interest rates can increase or decrease our net interest income, which makes up a majority of our income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. **To help address** the impact of the COVID- 19 pandemic on the economy and financial markets,in March 2020 the ~~Federal Open Market Committee ("~~ FOMC ~~")~~ reduced the benchmark federal funds rate to a target range of 0 % ~~to~~ **–** 0.25 %,and the yields on 10- and 30- year Treasury notes declined to historic lows.However,in ~~January 2022~~ **light of elevated inflation,a strong labor market and supply chain disruptions at the time** ,the FOMC **significantly** ~~announced that it would be slowing down its relief programs,including reducing the pace of its bond purchases,and as of February 1,2023,after seven increases~~ **increased** ~~during 2022,the FOMC had raised~~ the target range for the federal funds rate **from 0.00 % – 0.25 %** to ~~4~~ **5.25 % – 5** .50 % **over the period from March 2022** to **July 2023** ~~4.75 %~~ ,as ~~it~~ **the FOMC** ~~believes~~ **believed** ~~ongoing~~ **such** increases in the target range ~~will~~ **would** be appropriate to return **target** inflation **to 2 % over time.** The **FOMC has since paused increases to the target federal funds** ~~rates~~ **rate** ~~we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of time~~ . ~~Like~~ **33Like** many savings institutions, our liabilities generally have shorter contractual maturities than our assets. When interest- bearing liabilities mature or reprice more quickly, or to a greater degree than interest earning assets in a period, an increase in interest rates could reduce net interest income **or adversely affect our overall balance sheet mix or liquidity** . Similarly, **rising** ~~when interest earning assets mature or reprice more quickly, or to a greater degree than interest- bearing liabilities, falling~~ interest rates could **also** ~~reduce net interest income. Additionally, an increase in interest rates may, among other things,~~ reduce the demand for **certain** ~~residential mortgage and other~~ loans ~~and our~~ **or** ~~ability~~ **cause certain borrowers** to ~~originate~~ **repay** loans **slower** ~~and decrease loan repayment rates~~ . A decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan portfolio and mortgage- backed securities as borrowers refinance their debt to reduce their borrowing costs **, a decrease in demand for our deposit products resulting in withdrawals of deposits from the Bank or a combination of the foregoing that may result in a further decrease of our balance sheet** . ~~This~~ **To limit the extent of deposit withdrawals and maintain liquidity in a declining rate environment, we may need to maintain deposit rates at levels higher than the prevailing market rates, thus adversely impacting our net interest income. A decrease in interest rates can also** ~~creates~~ **create** reinvestment ~~risk, which is the~~ risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities **and repricing risk that our loans and debt securities may reprice at a faster pace than we may be able to reprice our deposits without significantly affecting the demand for our deposit products** . Furthermore, an inverted interest rate yield curve, where short- term interest rates (which are usually the rates at which financial institutions borrow funds) are higher than long- term interest rates (which are usually the rates at which financial institutions lend funds for fixed- rate loans) can reduce our net interest margin and create financial risk for financial institutions like ~~ours~~ **us** . Also impacting our net interest income and net interest rate spread is the level of prepayment activity on our mortgage- related assets. Mortgage prepayment rates will vary due to a number of factors, including the regional economy where the mortgage loan or the underlying mortgages of the mortgage- backed security were originated, seasonal factors, demographic variables, prevailing market interest rates, related mortgage refinancing opportunities and competition. Generally, the level of prepayment activity directly affects the yield earned on those assets, as the payments received on the interest- earning assets will be reinvested at the prevailing market interest rate. In a ~~rising~~ **high** interest rate environment, prepayment rates tend to decrease and, therefore, the yield earned on our existing mortgage- related assets ~~will~~ **may** remain constant **or** ~~instead of increasing~~ **increase ; however, were interest rates to fall, prepayments could increase, which could decrease the yield earned on our mortgage- related assets** . This ~~would~~ **could** adversely affect our net interest margin and, therefore, our net interest income. The interest we earn on our assets is primarily from our residential real estate loans, which comprises ~~84~~ **80** % of our total gross loans at December 31, ~~2022~~ **2023** and ~~71~~ **56** % of the interest earned from all of our interest- earning assets for the year ended December 31, ~~2022~~ **2023** ~~. We offer fixed- rate and adjustable- rate mortgage loans with terms of up to 30 years; however, across our loan portfolio, interest rates and payments generally adjust annually after a one-, three-, five- or seven- year initial fixed period~~ . At December 31, ~~2022~~ **2023** , 98 % of our residential real estate loan portfolio and ~~94~~ **92** % of our total loan portfolio were adjustable- rate loans. To that end, ~~63~~ **67** % of

our adjustable- rate residential real estate loans' repricing dates are currently scheduled to occur within the next 12 months, 30 **27** % after 12 months and up to 60 months, and 7 **6** % thereafter. That is, in addition to the risk that the demand for residential mortgage and other loans may be reduced **greater than the demand for our deposit products** in an environment where interest rates are rising **falling** , our existing loan portfolio may **reprice** be locked into an interest rate that is less than the prevailing **lower** market rates in an increasing interest rate environment . This likewise creates reinvestment risk, as...... to 2 % over time. 41Accordingly -- **Accordingly** , changes in the level of market interest rates affect our net yield on interest **-** earning assets, **demand for** loan **loans** origination volume **and deposits,** and our overall results. We expect the operating environment to remain very challenging as the FRB continues to focus their efforts on the economy. We cannot predict future FRB actions or other factors that may cause **interest** rates to change. If we were to experience a rising **decreasing** interest rate environment where our cost of funds increased **decreased** faster **slower** than the yields on our loan portfolio, it may adversely affect our net interest income, net interest spread and net interest margin, and may cause us to change our operating leverage model or portfolio mix to compensate. Although our asset- liability management strategy is designed to control and mitigate exposure to the risks related to changes in market interest rates, those rates are affected by many factors outside of our control, including governmental monetary policies, inflation, deflation, recession, changes in unemployment, the money supply, international disorder **geopolitical conflicts** and instability in domestic and foreign financial markets. Such changes in interest rates could materially and adversely affect our results of operations and overall profitability. Increasing **34An accelerated decrease in** interest rates could reduce our net interest income and otherwise negatively impact our financial condition and results of operations. Over the **period from** past several years, the FRB' s policy has been to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of mortgage- backed securities. In response to the COVID- 19 pandemic in March 2020 **2022 to July 2023** , the FRB **FOMC significantly** decreased **increased** the target federal funds rate to **from** a range of 0. 0 **00** % to **–** 0. 25 % as of March 31, 2020. However, in light of elevated inflation, a strong labor market and supply chain disruptions, including to **5. 25 % – 5. 50 %. At** the extent each is caused by the recent military invasion of Ukraine by Russian forces and COVID- 19- related lockdowns in China, the FOMC announced in March **' s September** 2022 **2023 meeting, the FOMC paused** it **its** would increase **increases to** the target federal funds **range, citing a tightening labor market, low unemployment** rate, anticipating that ongoing increases in the target range would be appropriate, as well as slowing down certain of its relief programs. Since March 2022, the FOMC has raised the target range for the federal funds rate on multiple occasions, resulting in an **and easing (but still elevated) inflation** increase in the target range from 0. 00 %- 0. 25 % that prevailed in early March 2022 to 4. 50 %- 4. 75 % at the February 1, 2023 FOMC meeting . The FOMC has signaled that it **remains highly attentive to inflation, which remains above its target rate, and that it will take into account any lags with which its monetary policy affects economic activity and inflation. However, there remains uncertainty among economists with respect to the risk of an economic recession. Accordingly, in response to the pause in target federal funds rate increases in September 2023, Treasury yields have declined, with federal funds futures rates suggesting a decrease in rates as early as the second quarter of 2024. Our balance sheet is currently in an asset- sensitive position. In the event of a significant decrease of the target federal funds rate by the FOMC in response to improved inflation outlook, particularly if at a similar pace at which the FOMC raised the target federal funds rate in 2022 and 2023, we** may temper future increases **not be able** to the target range **lower our deposit rates at a similar pace in order to avoid significant deposit withdrawals** as inflation levels begin to normalize; nevertheless **customers seek the highest yield possible for their funds. A significant** , increases to prevailing **rapid decrease in** interest rates could influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but such changes could also affect (i) **the demand of** our ability to originate loans and obtain deposits - **deposit products** ; (ii) **our liquidity position if our depositors were to withdraw** the **their funds** fair value of our financial assets and liabilities ; and (iii) the **expected yield of our loan portfolio and debt securities; (iv) the** average duration of our mortgage **loan** portfolio and **debt securities; (v)** other -- **the fair value of our financial assets and liabilities; and (vi) our balance sheet mix and composition. In addition, the lack of robust loan originations will inhibit our ability to reinvest loan prepayments that occur as** interest – **rates decline in interest** earning assets . In particular **at the higher end of the yield curve** , accelerated **thus either narrowing our** interest rate increases **spread and net interest margin or resulting in further significant decline in the size of our balance sheet. As a result, interest income** may cause our liabilities to reprice **decline much more quickly in response** to market rates - **rate declines** much faster and more extensively than our assets. Our ability to reduce our interest expense may be limited at current interest rate levels, and our interest expense may increase as we access non- core funding sources or increase deposit rates to fund our operations. In addition, as the FRB increases the target federal funds rate, overall interest rates will likely rise , which **would reduce** may negatively impact the housing markets and the U. S. economic recovery. Such changes may adversely affect our net interest income , net interest spread and net interest margin, and may cause us to change our operating leverage model or portfolio mix to compensate. Uncertainty relating to the LIBOR discontinuation and replacement may adversely **impact** affect our results of operations. LIBOR has historically been the reference rate used for many of our transactions, including our lending and borrowing and our purchase and sale of securities that we use to manage risk related to such transactions. However, a reduced volume of interbank unsecured term borrowing coupled with recent legal and regulatory proceedings related to rate manipulation by certain financial institutions led to international reconsideration of LIBOR as a financial benchmark. The United Kingdom Financial Conduct Authority (" FCA "), which regulates the process for establishing LIBOR, announced in July 2017 that the sustainability of LIBOR cannot be guaranteed. The administrator for LIBOR permanently ceased to publish certain LIBOR settings on January 1, 2022 and will cease to publish the overnight, one- month, three- month, six- month and 12- month U. S. dollar LIBOR settings on July 1, 2023. Accordingly, the FCA stopped persuading, or **our** compelling, banks to submit to LIBOR after 2021. To that end, the FRB, the OCC and the FDIC encouraged banks to cease entering into new contracts that reference LIBOR by December 31, 2021. In addition, banks have been encouraged to identify contracts that

extend beyond June 30, 2023 and implement plans to identify and address insufficient contingency provisions in those contracts. 42On April 6, 2021, legislation was adopted in New York State that provides for the use of a statutory replacement for U. S. dollar LIBOR in certain New York law legacy contracts. On March 15, 2022, the Consolidated Appropriations Act of 2022 was signed into law, which among other things, provides for the use of interest rates based on SOFR in certain contracts currently based on LIBOR and a safe harbor from liability for utilizing SOFR- based interest rates as a replacement for LIBOR. On December 16, 2022, the FRB published a final rule identifying replacement benchmark rates based on SOFR to replace certain tenors of LIBOR in contracts subject to this legislation. The Alternative Reference Rates Committee (" ARRC "), a group of private- market participants convened by the FRB and the Federal Reserve Bank of New York (the " FRBNY ") to help ensure a successful transition from LIBOR, also selected the SOFR as an alternative to LIBOR. The FRBNY has published SOFR since May 2018, which is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U. S. Treasury securities. The FRBNY reports that SOFR includes all trades in the Broad General Collateral Rate, plus bilateral U. S. Treasury repurchase agreement transactions cleared through the delivery- versus- payment service offered by the Fixed Income Clearing Corporation, a subsidiary of the Depository Trust & Clearing Corporation. The FRBNY currently publishes SOFR daily on its website at https: / / apps. newyorkfed. org / markets / autorates / sofr and states on its publication page for SOFR that use of SOFR is subject to important disclaimers, limitations and indemnification obligations, including that the FRBNY may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. Pursuant to the federal legislation, we have determined that our LIBOR- based loans and outstanding subordinated notes will convert to SOFR- based rates, specifically, the tenor rates in the Refinitiv U. S. dollar IBOR Consumer Cash Fallback and Refinitiv U. S. dollar Institutional Cash Fallback, respectively. We ceased originating loans referencing LIBOR on March 8, 2021 and began originating U. S. Treasury rate based loans thereafter; however, our adjustable- rate loan products that are LIBOR- indexed currently continue to reset based on LIBOR. In addition, we have established a LIBOR Task Force to review the risks associated with our LIBOR transition, including reviewing the Bank' s loan portfolios for contract remediation and preparing the Bank' s operational readiness to support rate fallback and conversion mechanisms across all loans that currently reference LIBOR, as applicable. There can be no assurances as to whether other market participants will adopt SOFR. The discontinuation of LIBOR may result in uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments and may also increase operational and other risks to us and the industry. Because SOFR is published by the FRBNY based on data received from other sources, the Bank has no control over its determination, calculation or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the parties that utilize SOFR as the reference rate for transactions. There is no assurance that SOFR- based rates will be sufficient to produce the economic equivalent of LIBOR, either at the replacement date or over the life of the applicable financial instrument. Further, if SOFR- based rates have not achieved sufficient market acceptance when the publication of the principal tenors of LIBOR is discontinued, or if market participants have not otherwise implemented effective transitional arrangements to address that discontinuation, widespread dislocation in the financial markets, volatility in the pricing of securities and other financial instruments, and the suppression of capital markets activity may ensue. In addition, financial instruments referencing SOFR may have additional legal, financial, tax, operational, market, compliance, reputational, competitive or other risks to us, our customers and other market participants. To that end, banking regulators in the U. S. have increased regulatory scrutiny and intensified supervisory focus of financial institution LIBOR transition plans, preparations and readiness, which may result in a regulatory action, litigation or the need to change the products we offer. The market transition away from LIBOR to an alternative reference rate, including SOFR, is complex and could have a range of adverse effects on our business, financial condition , and results of operations. In particular, any such transition could: ● adversely affect the interest rates paid or received on, and the revenue and expenses associated with, our floating rate obligations, loans, and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR' s role in determining market interest rates globally; ● adversely affect the value of our floating rate obligations, loans and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR' s role in determining market interest rates globally; 43 ● prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with SOFR; ● result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR- based securities; and ● require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR- based products to those based on SOFR. In addition, the implementation of LIBOR reform proposals may result in increased compliance costs and operational costs, including costs related to the transition to SOFR- based rates. We cannot reasonably estimate the expected cost. Risks **35Risks** Related to LiquidityA lack of liquidity could adversely affect our financial condition and results of operations and result in regulatory limits being placed on the Company. Liquidity is essential to our business. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans **investment securities** to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our most important source of funds is deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk / return tradeoff. If customers move money out of deposits such as money market funds, we will lose a relatively low- cost source of funds, increasing our funding costs and reducing our net interest income and net income. Moreover, depending on the capitalization and regulatory treatment of depository institutions, including whether an institution is subject to a supervisory prompt corrective action directive, certain additional regulatory restrictions and prohibitions may apply, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. In the event such restrictions on interest rates paid on deposits become applicable to us, we may need to reduce our interest rates paid on a segment of our deposits, which could result in deposit withdrawals. In addition, as of

December 31, ~~2022~~ **2023** , approximately ~~21~~ **22** % of our total deposits are not FDIC- insured, and a significant portion of those deposits could be withdrawn in the event of volatile economic conditions. Significant deposit withdrawals could materially reduce our liquidity, and, in such an event, we may be required to replace such deposits with higher **cost** ~~- costing~~ borrowings. Other primary sources of funds consist of cash flows from operations **, from the repayment of loans** and ~~sales~~ **from the maturities and principal receipts** of investment ~~securities, and proceeds from the issuance and sale of our equity~~ securities. Additional liquidity is provided by our ability to borrow from the FHLB of Indianapolis or our ability to sell portions of our loan portfolio. We also may borrow funds from third- party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us 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. Our access to funding sources could also be affected by a decrease in the ability to sell mortgage portfolios as a result of a downturn in our markets or by one or more adverse regulatory actions against us. A lack of liquidity could also attract increased regulatory scrutiny and potential restraints imposed on us by regulators. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations. ~~44We~~ **36We are currently disqualified from the small offering and private placement safe harbor exemptions otherwise available under the federal securities laws, which may adversely affect our ability to offer or sell our securities and raise capital in an efficient manner. As a result of the guilty plea and criminal conviction pursuant to our Plea Agreement with the DOJ, we fall within the " bad actor " disqualification provisions of Regulation A and Regulation D under the Securities Act. These provisions prohibit an issuer from offering or selling securities in a private placement in reliance on Regulation A for certain small offerings and Regulation D for certain private placement transactions for a period of up to ten years under certain circumstances if, among other things, the issuer has been convicted of any felony or misdemeanor, or other " disqualifying event " under the rule. The SEC or the court may waive such disqualification upon a showing of good cause that disqualification is not necessary under the circumstances for which the safe harbor exemptions are being denied. Absent a waiver, we will be restricted in our ability to raise capital in a private placement in reliance on Regulation A or Regulation D, although we would remain eligible as an SEC registrant to access the equity capital markets through an SEC- registered offering or through another exemption from the registration requirements. We have submitted to the SEC a waiver request from the " bad actor " disqualifications. There is no assurance that the SEC will grant this request. If the SEC were to deny our waiver request, we will be limited in our ability to raise capital through a private placement under Regulation A or Regulation D. The application of the " bad actor " disqualifications to us could make capital raising more costly or inhibit our ability to raise capital. Reduced or more costly access to capital could inhibit our ability to pursue certain strategic alternatives for adding new products and services and potentially grow our balance sheet. Reduced or more costly access to capital is particularly critical to our ability to pursue certain strategic alternatives because the Bank reduced its excess capital when it distributed $ 90. 0 million as a dividend to the Company in 2023 to fund the redemption of the Subordinated Notes and the restitution payment due under the Plea Agreement, both of which reduced the Bank' s excess capital and which otherwise could have supported future growth. Reduced access to capital also could adversely impact our ability to comply with regulatory capital requirements in the event of adverse economic circumstances in which we were to incur financial losses. Therefore, the failure to obtain a waiver of the " bad actor " disqualification could have an adverse impact on our business, financial condition and results of operations. We** rely on external financing to fund our operations, and the failure to obtain such financing on favorable terms, or at all, in the future could materially and adversely impact our growth strategy and prospects. We rely in part on advances from the FHLB and brokered deposits to fund our operations. Although we consider such sources of funds adequate for our current needs, we may need to ~~seek~~ **issue** additional debt or equity **in the future to (i) restore** capital ~~in the future~~ **that has been depleted due** to **adverse results from and costs to defend government investigations and litigation, (ii)** restore capital that may be depleted **in the future** due to ~~losses related to adverse results from government investigations and litigation, adverse economic conditions and~~ other risks identified herein, ~~as well as to~~ **and (iii)** fund future growth. The sale of equity or equity- related securities in the future may be dilutive to our shareholders, and debt financing arrangements may require us to pledge some of our assets and enter into various affirmative and negative covenants, including limitations on operational activities and financing alternatives. Future financing sources, if sought, might be unavailable to us or, if available, could be on terms unfavorable to us and may require regulatory approval. In addition, we currently are required to obtain the prior approval of the FRB in order for the Company to issue any new debt. If financing sources are unavailable or are not available on favorable terms or we are unable to obtain regulatory approval, our capital base, growth strategy and future prospects could be materially and adversely impacted. ~~If~~ **37If** the market for the sale of our mortgage loans to the secondary market were to significantly contract, or if purchasers were to lose confidence in the quality of our loans, our net income would be negatively affected and our ability to manage our balance sheet would be materially and adversely affected. From time to time, we manage our liquidity and balance sheet risk by selling loans in our mortgage portfolio into the secondary market. If the market for our mortgages were to contract or our counterparties were to lose confidence in our asset quality, we would lose a key piece of our liquidity strategy and would need to find alternative means to manage our liquidity that may be less effective. In addition, in connection with residential mortgages packaged for sale in the secondary market, we make representations and warranties, which, if breached, may require us to repurchase such loans, substitute other loans or indemnify the purchasers of such loans for actual losses incurred in respect of such loans. To avoid the uncertainty of audits and inquiries by third- party investors in Advantage Loan Program loans sold to the secondary market, beginning at the end of the second quarter of 2020, we commenced making offers to each of those investors to repurchase 100 % of our previously sold Advantage Loan Program

loans. As of December 31, ~~2022~~ **2023** , we had repurchased such loans with an aggregate unpaid principal balance of $ 309. 1 million and had outstanding commitments to repurchase an additional $ ~~21~~ **16** . ~~3~~ **9** million through July 2025. At December 31, ~~2022~~ **2023** , the unpaid principal balance of residential mortgage loans sold under the Advantage Loan Program that were subject to potential repurchase obligations for breach of representations and warranties totaled $ ~~43~~ **33** . ~~3~~ **0** million. If we experience loan repurchase demands in excess of what we have anticipated, our liquidity, capital ratios and financial condition may be materially and adversely affected. The ~~debt service~~ **proportion of our deposit account balances that exceed FDIC insurance limits may expose the Bank to enhanced liquidity risk in times of financial distress. A significant factor in the failures of SIVB, SBNY and FRC appears to have been the proportion of the deposits held by each institution that exceeded FDIC insurance limits. In response to the failures of SIVB, SBNY and FRC, many large depositors across the industry have withdrawn deposits in excess of applicable deposit insurance limits and deposited these funds in other financial institutions and, in many instances, moved these funds into money market mutual funds or other similar securities accounts in an effort to diversify the risk of further bank failure (s). Uninsured deposits historically have been viewed by the FDIC as less stable than insured deposits. According to statements made by the FDIC staff and the leadership of the federal banking agencies, customers with larger uninsured deposit account balances often are small- and mid- sized businesses that rely upon deposit funds for payment of operational expenses and, as a result, are more likely to closely monitor the financial condition and performance of their depository institutions. As a result, in the event of financial distress, uninsured depositors historically have been more likely to withdraw their deposits. As of December 31, 2023, approximately 22 % of our total deposits of $ 2. 0 billion were not insured by the FDIC. If a significant portion of our deposits were to be withdrawn within a short period of time such that additional sources of funding would be required to meet withdrawal demands, we may be unable to obtain funding at favorable terms, which may have an adverse effect on our net interest margin. Obtaining adequate funding to meet our deposit** obligations **may be more challenging during periods of** ~~related~~ - **elevated prevailing interest rates, such as the present, and our ability** to **attract depositors during a time of actual** ~~our~~ - **or** ~~subordinated notes will reduce~~ **perceived distress or instability in** the ~~funds~~ **marketplace may be limited. Further, interest rates paid for borrowings generally exceed the interest rates paid on deposits, and this spread may be exacerbated by higher prevailing interest rates. In addition, because the fair value of our** available for **sale investment securities decreases when interest rates increase, after- tax proceeds resulting from the sale of such assets may be diminished during periods when interest rates are elevated. At December 31, 2023, our accumulated** other **comprehensive loss related** ~~business purposes, and the terms and covenants relating thereto, and~~ to ~~any future indebtedness~~ **unrealized net losses on investment securities was $ 15. 2 million** , ~~could adversely~~ **which currently does not** impact our ~~financial performance and~~ **regulatory capital ratios. However, should we sell all or a material portion of our investment securities portfolio to increase** liquidity ~~. We have outstanding $ 65. 0 million~~ in **the face of depositor withdrawals in the current** ~~aggregate principal amount on our subordinated notes due April 15, 2026. Our subordinated notes bear interest at a variable~~ interest rate **environment, we may recognize significant losses that would, in turn, reduce our regulatory capital position. Under such circumstances, we may access funding from sources such as the FRB' s discount window to manage our liquidity risk and mitigate the risk to our regulatory capital position. The occurrence** of **any of these events could materially and adversely affect our business, results of operations or financial condition. 38Risks Related to the Advantage Loan ProgramOur guilty plea and criminal conviction pursuant to the Plea Agreement may harm our reputation, harm our ability to engage with certain third parties and disqualify us from certain safe harbor exemptions from offering or selling our securities, and the failure to comply with the terms of the Plea Agreement may subject us to further prosecution. In July 2023, the Company was convicted of one count of securities fraud primarily relating to disclosures with respect to the Advantage Loan Program contained in the Company' s 2017 Registration Statement for its initial public offering and its immediately following Annual Reports on Form 10- K filed in March 2018 and March 2019, all in accordance with the Plea Agreement entered into earlier in the year. In addition to the reputational risk and the negative publicity we have already received regarding the Advantage Loan Program, our criminal conviction pursuant to the Plea Agreement may cause further damage to our reputation in the communities we serve. Further, our criminal conviction pursuant to the Plea Agreement may cause third parties, including certain quasi- governmental agencies or exchanges, to elect to cease doing business with us, where** ~~the~~ **they have the discretion to do such. Any such damage to our reputation and our ability to conduct business with third parties could materially adversely affect our business, results of operations and financial condition. In addition, as a result of the guilty plea and criminal conviction pursuant to our Plea Agreement with the DOJ, we fall within the " bad actor " disqualification provisions of Regulation A and Regulation D under the Securities Act, which prohibit an issuer from offering or selling securities in a private placement that rely on such exemptions. See " — Risks Related to Liquidity " for further detail. Furthermore, if the Company were to breach the Plea Agreement, the Company would be subject to prosecution for any known or newly discovered criminal violations, including additional charges. In such an event, our ability to develop or introduce new loan products would once again be curtailed and become uncertain, which would have an adverse impact on our business and results of operations. We continue to incur costs in connection with our ongoing cooperation with government investigations of certain individuals involved with the now- terminated Advantage Loan Program, including claims from individuals for advancement of expenses and indemnification for which our D & O Insurance covering such matters has recently been exhausted. The Company and the Bank were previously under investigations by the DOJ and the OCC focused on the Bank' s now- terminated Advantage Loan Program and related issues. Although the investigations targeting the Company and the Bank have been finally resolved, the DOJ and the OCC continue to investigate certain individuals involved with the now- terminated Advantage Loan Program. The Company and the Bank continue to fully cooperate with these government investigations. This cooperation typically takes the form of**

production of documents and interviews of current and former employees and directors. Other government agencies also may request information or conduct investigations into the Advantage Loan Program and related matters. As we continue to cooperate with these investigations, we may incur costs and / or expenses as a result of our cooperation with any such investigations. In addition, management' s time and resources may be diverted to address requests made by the DOJ or the OCC in connection with such investigations. In addition, as these matters have proceeded or concluded, as applicable, over the past three **years** ~~- month LIBOR rate plus a margin of 5. 82 %. For 2022~~ , ~~the average interest rate~~ **we have received claims from current and former directors, officers and employees,** ~~was~~ - **as** ~~7. 50 %~~ **well as from our controlling shareholder** , ~~and~~ **Scott J. Seligman, for** the ~~interest rate~~ **advancement or reimbursement of legal fees under** applicable **provisions of the Company' s and the Bank' s respective charters and bylaws, as well as pursuant** to **applicable law. In some instances, we have determined that advancement and indemnification is not consistent with applicable law and have denied** ~~the~~ **those** ~~first interest~~ **requests. The officers and directors that we have not deemed eligible for advancement and indemnification may commence legal action against us seeking such advancement and indemnification, and several have threatened to do so. Should such actions commence, there is no assurance that we would be successful in any defense thereof, and such actions, if ultimately successful, may have a material adverse impact on our financial condition and results of operations. 39Furthermore, our D & O Insurance is exhausted, with our final** payment ~~period~~ **received** in **December** 2023 ~~was 9~~ . **However** ~~90 % at December 31~~ , ~~2022. Pursuant~~ to ~~recent federal and New York State legislation, upon the cessation of the publication of the three~~ -- **the extent** ~~- month LIBOR rate, currently expected in June 2023,~~ the **government investigations with respect to individuals continue and involve the cooperation** ~~subordinated notes will bear interest at a rate based on SOFR. As a result~~ of ~~our subordinated notes~~ **individuals entitled to advancement and indemnification** , we are ~~currently,~~ **likely to continue to receive** and **pay such claims in accordance with our legal obligations but for which we no longer have insurance. However,** to the extent we ~~deny claims~~ **Further,the officers and directors that we have not deemed eligible** for advancement **and indemnification** ~~or reimbursement in accordance with applicable law,individuals~~ may **commence legal action against us seeking such advancement and indemnification,and several have threatened to do so.Should such actions commence,there is no assurance that we would** be **successful in any defense thereof,** ~~able to directly access additional insurance policies available only to the individuals~~ and **such actions,if ultimately successful,** ~~not the Company.We cannot predict how long these government investigations~~ may ~~continue or project the amount of claims for advancement or reimbursement of legal fees we may receive.Because our D & O Insurance is now exhausted,to the extent we are not permitted to deny advancement or reimbursement or otherwise elect to advance or reimburse individuals,we must pay these expenses as they are incurred.Thus,the prolonged continuation of governmental investigations into certain individuals is expected to~~ have a material adverse impact on our financial condition and results of ~~operations~~ - **operation** .We are involved in litigation against the Company' s controlling shareholder,Scott J.Seligman,and related family trusts.In October 2022,the Company and the Bank commenced an action against the Bank' s controlling shareholder,Scott J.Seligman,alleging a breach of fiduciary duties to the Company and the Bank by using his position to develop and direct the now- terminated Advantage Loan Program to advance his own interests and unjustly enrich himself at the expense of the Company,the Bank,and the Company' s minority shareholders.Mr.Seligman retaliated by commencing an action against the Company in November 2022,which he voluntarily withdrew in January 2023 without prejudice,meaning he may bring such action at a later date,a direct action or counterclaim in the current action by the Company.Mr.Seligman has filed a motion to dismiss the Company' s action in which he threatens possible counterclaims.Accordingly,should Mr.Seligman commence litigation against the Company or proceed with counterclaims,we **may incur additional significant legal fees in connection with such matter.In addition,there is no assurance that we would be successful in pursuing our claims against Mr.Seligman or that we will be successful in the defense of any claims by Mr.Seligman.28Risks** incur **additional** significant ~~debt~~ **legal fees** in **connection with such matter. In addition,** ~~the~~ **there** ~~future,~~ **is no assurance that we would be successful in pursuing our claims against Mr. Seligman or that** we will be **successful in the defense of any claims by Mr. Seligman. Risks Related to Our Highly Regulated IndustryOur business is limited by the highly regulated environment in which we operate and could be adversely affected by the extensive laws and regulations that govern our activities** , **operations, corporate governance and accounting principles, or changes in any of them. As a unitary thrift holding company, we are** subject to ~~risks typically associated to~~ extensive examination,supervision and comprehensive regulation by various federal agencies that govern almost all aspects of our operations.These laws and regulations,among other things,prescribe minimum capital requirements,impose limitations on the business activities in which we can engage,limit the dividend or distributions that the Bank can pay to us,restrict the ability of institutions to guarantee our debt and impose certain specific accounting requirements on us.These laws and regulations are not intended to protect our shareholders.Rather,these laws and regulations are intended to protect customers,depositors,the DIF and the overall financial stability of the United States. **Compliance** with ~~debt the overall financial stability of the United States.Compliance with~~ these laws and regulations is difficult and costly,and changes to these laws and regulations often impose additional compliance costs.Our failure to comply with these laws and regulations,even if the failure follows good faith effort or reflects a difference in interpretation,could subject us to restrictions on our business activities,fines and other penalties,any of which could materially adversely affect our results of operations,capital base and the price of our securities.Further,any new laws,rules and regulations could make compliance more difficult or expensive. ~~Failure~~ **40The Dodd- Frank Act may continue** to ~~satisfy the~~ **affect our business,governance structure,** ~~financing~~ **financial condition** or results of operations.The Dodd- Frank Act,among other things,imposed new capital requirements on thrift holding companies;changed the base for FDIC insurance assessments to a bank' s average consolidated total assets minus average tangible equity,rather than upon its deposit base;permanently raised the current standard deposit insurance limit to $ 250,000;and expanded the FDIC' s authority to raise insurance premiums.The Dodd- Frank Act also established the CFPB as an independent entity within the FRB,which has broad rulemaking,supervisory and enforcement

authority over consumer financial products and services,including deposit products,residential mortgages,home- equity loans and credit cards and contains provisions on mortgage- related matters , , such as insufficient cash flow **steering incentives, determinations as** to meet required debt a borrower' s ability to repay and prepayment penalties.Although the applicability of certain elements of the Dodd- Frank Act is limited to institutions with more than $ 10 billion in assets,there can be no guarantee that such applicability will not be extended in the future or that regulators or other third parties will not seek to impose such requirements on institutions with less than $ 10 billion in assets,such as the Company.The Dodd- Frank Act has had and may continue to have a material impact on our operations,particularly through increased regulatory burden and compliance costs.The CFPB has adopted strict enforcement policies in respect of the fair lending laws and the prohibition against unfair,deceptive and abusive acts and practices.The CFPB has broad rulemaking authority to administer the provisions of the Dodd- Frank Act regarding financial institutions that offer covered financial products and services to consumers.The CFPB was directed under the Dodd- Frank Act to write rules identifying practices or acts that are unfair,deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service payment obligations **, or the offering of a consumer financial product or service. Under the current Administration and leadership of the agency, the CFPB has pursued a more aggressive enforcement policy with respect to a range of regulatory compliance matters. Of note, the Director of the CFPB has indicated that the CFPB will prioritize enforcement of the Equal Credit Opportunity Act, as implemented by the CFPB' s Regulation B** , which **prohibits discrimination in any aspect of a credit transaction. To that end, in March 2022, the CFPB revised its Supervision and Examination Manual to explicitly incorporate anti- discrimination considerations in respect of evaluations of potential unfair, deceptive or abusive acts and practices. Although the Supervision and Examination Manual is not applicable to the Bank due to its asset size, the CFPB' s action represents not only a continuation of the agency' s commitment to a more aggressive enforcement approach, but also a shift in supervision and examination policy and procedure that** may increase if **result in** the **commencement** benchmark rate for any of **enforcement actions against** our floating rate notes increases, and the inability to refinance existing indebtedness. See Note 9 — Subordinated Notes, net to our consolidated financial statements **institutions involving a broader range of cited violations of the federal consumer financial laws and expanded allegations of unfair, deceptive,** for **or abusive acts and practices** additional information regarding the economic terms of our subordinated notes . In addition, our subordinated notes **the CFPB — with the support of the current Presidential Administration — launched** and **an initiative to scrutinize so- called consumer " junk fees. " In 2023, the CFPB brought enforcement actions against a number of financial institutions for overdraft practices that the CFPB alleged to be unlawful and ordered such institutions to pay consumer restitution and civil money penalties. In** the **these cases** a broader range of cited violations of the federal consumer financial laws and expanded allegations of UDAAPs.In addition,on January 6,2022 ,the CFPB **found that institutions systematically and repeatedly charged** announced a new initiative to scrutinize so- called consumer " junk fees ." Since **to customers within insufficient funds in their accounts,imposed overdraft fees without adequate disclosures,charged overdraft fees without proper consent and misled customers about** then **the terms and cost of overdraft coverage.Also,as part of this effort** ,the CFPB has taken action to constrain " pay- to- pay " fees **,** and has announced a rulemaking proceeding on credit card late fees **and** .On October 26,2022,the CFPB issued guidance to banks on how to avoid charging unlawful overdraft and depositor fees **.The CFPB expects to commence a rulemaking addressing overdraft fee practices in the coming months** .There is likely no immediate impact arising from this shift in enforcement policy and regulatory guidance from the CFPB because the Bank has suspended the origination of residential loans.However,should the Bank recommence residential lending,the CFPB' s policies and guidance would likely increase the Bank' s compliance costs or result in additional compliance risk.We are subject to stringent capital requirements.We are subject to the regulatory capital rules implemented by the U.S.federal banking agencies in accordance with Basel III regulatory capital reforms and the Dodd- Frank Act.The regulatory capital rules are generally applicable to all U.S.banks as well as to unitary thrift holding companies with assets over $ 1 billion,such as the Company.The regulatory capital rules establish minimum regulatory capital ratios,including a common equity Tier 1 capital ratio,and require maintenance of a CCB **capital conservation buffer** .The rules prescribe criteria that capital instruments must meet in order to be considered additional Tier 1 and Tier 2 capital for the purposes of the above requirements. 36In **41In** order to be a well capitalized depository institution under the regulatory capital rules,an institution must maintain a common equity Tier 1 capital ratio of 6.5 % or more;a Tier 1 capital ratio of 8 % or more;a total capital ratio of 10 % or more;and a leverage ratio of 5 % or more.Institutions must also maintain a CCB **capital conservation buffer** consisting of common equity Tier 1 capital.Further,qualifying community banking organizations may elect to utilize the CBLR framework,which provides a simplified measure of capital adequacy.In order to qualify for the CBLR framework,a community banking organization must have (i) a Tier 1 leverage ratio of greater than 9.0 %,(ii) less than $ 10 billion in total consolidated assets,and (iii) limited amounts of off- balance- sheet exposure and trading assets and liabilities.The Company and the Bank have each elected to comply with the CBLR framework,effective as of January 1,2023.Although we will **have** benefit **benefitted** from this election in terms of our ability to add a variety of assets to our consolidated balance sheet without the need to evaluate the highly complicated regulatory risk weight weighting system, we **our election** may be required **require us** to maintain an overall higher capital base,potentially limiting our future total growth opportunities.The failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities,including our growth initiatives,or restricting the commencement of new activities,and could materially adversely affect customer and investor confidence,our costs of funds and FDIC insurance costs,our ability to pay dividends on our common stock,our ability to make acquisitions,and our business,results of operations and financial conditions **condition** ,generally. **We** The Company faces **face** risks related to the adoption of future legislation and potential changes in federal regulatory agency leadership,policies and related subordinated note purchase agreements contain customary covenants **to the adoption of future legislation and potential changes in federal regulatory agency policies and priorities. Congress may enact legislation from time to time**

that affects the regulation of the financial services industry , **and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in** which **existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could impact the regulatory structure** under **which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and modify our business strategy, and limit our ability to pursue business opportunities in an efficient manner. Congressional oversight has been and likely will continue to be prominent in Congress. Congressional committees with jurisdiction over the financial services sector have pursued oversight in a variety of areas, including addressing climate- related risks, promoting diversity and equality within the banking industry and addressing other ESG matters, improving competition in the banking sector and increasing oversight of bank mergers and acquisitions and establishing a regulatory framework for digital assets. We believe the prospects for the enactment of major banking reform legislation under the current Congress are unlikely at this time. However, the federal banking agencies continue to pursue a full rulemaking agenda, which was enhanced following the bank failures in the first half of 2023. These initiatives have included enhanced capital regulations for the largest banking organizations and enhanced risk management and resolution planning requirements for mid- size and regional banking organizations. It is not yet known whether or to what extent community banks will be impacted by much of this rulemaking. We are subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties. The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The CRA requires the OCC, in connection with its examination of a federally chartered savings association, to assess the institution' s record of meeting the credit needs of its community and to take such record into account in its evaluation of** certain ~~circumstances place policies of the agencies and likely will continue to do so over the next several years.The potential impact of any changes in agency personnel,policies and priorities on the financial services sector,including Sterling Bancorp and the Bank,cannot be predicted at this time.37We are subject to the CRA and fair lending laws,and failure to comply with these laws could lead to material penalties.The CRA,the Equal Credit Opportunity Act,the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions.The CRA requires the OCC,in connection with its examination of a federally chartered savings association,to assess the institution' s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain~~ applications by such institution.All institutions insured by the FDIC must publicly disclose their rating. **As discussed in " Item 1.Business — Supervision and Regulation — Federal Banking Regulation — CRA and Fair Lending Laws," in October 2023,the federal banking agencies issued a joint final rule to revise the regulations implementing CRA.** The **Bank is considered a " large bank " under the final rule and therefore will be evaluated under new lending,retail services and products,community development financing and community development services tests in respect of our compliance with the statute and rule.The final rule also imposes certain data reporting requirements that will apply to the Bank.As we prepare for implementation of the final rule,we expect to incur increased compliance costs,and we may be exposed to compliance- related risks after the final rule has been implemented in full.42The** fair lending laws prohibit discrimination in the provision of banking services on the basis of prohibited factors including,among others,race,color,national origin,gender,and religion.The enforcement of these laws has been an increasing focus for the CFPB, ~~HUD~~ **the Department of Housing and Urban Development** and other regulators.Under the fair lending laws,we may be liable if our policies result in a disparate treatment of or have a disparate impact on a protected class of applicants or borrowers and may also be subject to investigation by the DOJ.A successful challenge to our 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~~ restrictions on ~~our~~ **mergers and acquisitions activity and restrictions on expansion activity. Private parties may also have the** ability to **challenge** ~~pay dividends or~~ **our** ~~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 activity.Private parties may also have the ability to challenge our~~ performance under fair lending laws in private class action litigation.Federal regulators periodically examine our business,and we may be required to remediate adverse examination findings.The FRB and the OCC periodically examine our business operations,including our sales practices,supervisory procedures and internal controls,recordkeeping practices and financial position,to determine our compliance with applicable laws and regulations and to protect the solvency and safety and soundness of our organization.If,as a result of an examination,a federal banking agency were to determine that our financial condition,capital resources,asset quality,earnings prospects,management,interest rate risk and liquidity 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.These actions include,among others,the power to enjoin unsafe or unsound practices,to require affirmative action to correct any conditions resulting from any violation or practice,to issue an administrative order that can be judicially enforced,to direct an increase in our capital,to restrict our growth,to assess civil monetary penalties against our officers or directors,to remove officers and directors and,if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors,to terminate our deposit insurance and place us into receivership or conservatorship.If we become subject to any regulatory actions,it could have a material adverse effect on our business,results of operations,financial condition and growth prospects.The FRB or OCC may require us to commit capital resources to support the Bank.As a matter of policy,the FRB expects ~~a~~ **bank holding companies and** unitary thrift holding ~~company~~ **companies** to act as a source of financial and managerial strength for ~~a~~ **their** subsidiary ~~bank~~ **banks** and to commit resources to support such subsidiary ~~bank~~ **banks** .The Dodd- Frank Act codified the

FRB’ s policy on serving as a source of financial strength. **As a result of the Bank’ s election to operate as a covered savings association,Sterling Bancorp is treated as a bank holding company for most regulatory purposes;however,the source of strength applies to Sterling Bancorp in any case.** Under the source of strength doctrine,the FRB may require a unitary thrift holding company to ~~make capital injections~~ make **capital injections into a troubled subsidiary bank and may charge the unitary thrift holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds or raise capital. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain** other **indebtedness of the subsidiary bank. In the event of a unitary thrift’ s bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the** ~~distributions~~ -- - **institution ’ s general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the Company to make a required capital injection becomes more difficult and expensive and could have** ~~and~~ - **an** ~~enter into~~ **adverse effect on our business, financial condition and results of operations. The requirement that we serve as a source of strength to our Bank may be exacerbated by OCC requirements to maintain** certain ~~creditors,including the holders of its note obligations.Thus,any borrowing that must be done by the Company to make a required capital injection becomes more difficult and expensive and could have an adverse effect on our business,financial condition and results of operations.The requirement that we serve as a source of strength to our Bank may be exacerbated by OCC requirements to maintain certain~~ capital requirements at the bank level and we may not be able to access the necessary funds to do so,which would further materially adversely affect our business,financial condition and results of operations. ~~38Recent~~ - **43Recent** actions by the U.S. ~~Government~~ **government** regarding competition in the financial services and technology sectors may adversely impact our business. ~~On~~ **In** July ~~9,~~ 2021,an Executive Order on Promoting Competition in the American Economy ~~(the “ Executive Order ”)~~ was issued.Among other initiatives, ~~the~~ **this** Executive Order (i) ~~encourages~~ **encouraged** the federal banking agencies to review their current merger oversight practices under the Bank Holding Company Act of 1956,as amended,and the Bank Merger Act and,within 180 days of the date of the Executive Order,adopt a plan for revitalization of such practices;and (ii) ~~directs~~ **directed** the CFPB to commence or continue a rulemaking to facilitate the portability of consumer financial transaction data for the purpose of providing consumers with greater flexibility in switching financial institutions and using innovative financial products.In addition,the Director of the CFPB has publicly sought a greater role for the CFPB in the evaluation of proposed bank mergers. **In addition,in December 2023,the Federal Trade Commission and DOJ jointly issued the 2023 Draft Merger Guidelines,which represent a significant revision of the regulatory framework for merger enforcement and are designed to address business markets and practices in the modern economy,while also strengthening the agencies’ oversight of mergers that may violate the federal antitrust laws.The federal banking agencies continue to deliberate on potential enhancements to the regulatory standards governing bank mergers and acquisitions.** Any enhanced regulatory scrutiny of bank mergers and acquisitions and the revision of the framework for merger application review may adversely affect the marketplace for such ~~transactions.Any such~~ transactions **. Any such enhanced scrutiny or new rules that possibly limit the size of financial institutions may adversely impact certain strategic alternatives that may be available to us** , including ~~acquisition~~ **possibly combining with a larger financial institution. With regard to CFPB rulemaking** activity **addressing financial transaction data portability,in October 2023,the CFPB announced a proposed rule regarding personal financial data rights that is designed to promote data portability and “ open banking.” The adoption of a final rule could result in increased volatility of consumer accounts and expose the Company to additional operational,strategic,regulatory and compliance risks.Risks** Related to CompetitionStrong competition within our market areas or with respect to our products and pricing may limit our growth and profitability.Competition in the banking and financial services industry is intense.In our market area,we compete with commercial banks,savings institutions,mortgage brokerage firms,credit unions,finance companies,mutual funds,insurance companies,brokerage and investment banking firms and unregulated or less regulated non- banking entities,operating locally and elsewhere.Many of these competitors have substantially greater resources and higher lending limits than we have and offer certain services that we do not or cannot provide.In addition,some of our competitors offer loans with lower interest rates on more attractive terms than loans we offer **and / or deposit accounts with higher interest rates than we offer** .Competition also makes it increasingly difficult and costly to attract and retain qualified employees.Our profitability depends upon our continued ability to successfully compete in our market areas.If we must raise interest rates paid on deposits or lower interest rates charged on our loans,our net interest margin and profitability could be adversely affected.Our ~~strategy for~~ **ability to grow in the** future ~~growth~~ relies in part on growth in the communities we serve and our ability to develop relationships in particular locations,and we expect to continue to face strong competition from competitors in all of our markets.In addition,our competitors may seek to benefit from the recent negative publicity surrounding our termination of the Advantage Loan Program and target our customers ~~.If we fail to compete effectively against our competitors,we may be unable to expand our market share in our existing markets,and we may be unable to retain our existing market share in key growth markets or in those markets in which we have traditionally had a strong presence.Failure to protect our market share on a regional level or to grow our market share in key growth markets and product categories could~~ . If we fail to ~~satisfy one~~ **compete effectively against** ~~or~~ **our competitors** ~~more of the covenants under our subordinated notes~~ , we ~~would be in default under such notes and~~ may be ~~required~~ **unable** to ~~repay such debt~~ **expand our market share in our existing markets, and we may be unable to retain our existing market share in key growth markets or in those markets in which we have traditionally had a strong presence. Failure to protect our market share on a regional level or to grow our market share in key growth markets and product categories could have a material adverse effect on our overall market share and on our profitability. Furthermore, we suspended**

all residential loan originations in early 2023, though we may decide to resume originating residential real estate loans in connection with ~~capital from~~ **our current strategic planning process.If we decide** to ~~protect~~ **reenter the residential loan origination market,the extensive competition in this space will make reentry more difficult,which may adversely affect** our **ability** ~~market share on a regional level or~~ to **be successful** ~~grow our market share in key growth markets and product categories could have a material adverse effect on our overall market share and on our profitability~~ . ~~Our~~ **44Our** modest size makes it more difficult to compete with other financial institutions,which are generally larger and able to achieve economies of scale and can more easily afford to invest in the marketing and technologies needed to attract and retain customers and to offer better pricing for the type of products and services we provide.Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and ~~other~~ other sources ~~. Under~~ **of funds, our ability to generate the revenues needed to cover our expenses and finance** such ~~circumstances~~ **investments is limited by the size of our loan and investment portfolios. Accordingly** , ~~known~~ **we are not always able to offer new products and services** as ~~" disintermediation~~ **quickly as our competitors.As a smaller institution** , ~~" could result in~~ **we are also disproportionately affected by** the ~~loss~~ **continually increasing costs** of ~~fee income~~ **compliance with new banking** and ~~the~~ **other regulations** ~~loss of customer deposits and the related income generated from those deposits.The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations~~ .We are a community bank,and our reputation is critical to the success of our business but may continue to be affected by negative publicity.We are a community bank,and our reputation is one of the most valuable components of our business. ~~Recent negative~~ **Negative** publicity **over the past four years** regarding the Advantage Loan Program **,including our criminal conviction for securities fraud pursuant to the terms of the Plea Agreement,** has caused substantial damage to our reputation in the communities we serve **,** and the outcome of the ~~pending~~ government investigations may further damage our reputation.Significant harm to our reputation can arise from various ~~other~~ other sources **, including officer, director or employee misconduct; actual or perceived unethical behavior; conflicts** of ~~capital~~ interest;security breaches;litigation or regulatory outcomes;compensation practices;failing to deliver minimum or required standards of service and quality;failing to address customer and agency complaints;compliance failures;unauthorized release of personal,proprietary **,sensitive** or confidential information due to cyberattacks or otherwise;perception of our **ESG** ~~environmental,social and governance~~ practices and disclosures;and the activities of our clients,customers and counterparties,including vendors.Actions by the financial services industry generally or by institutions or individuals in the industry also can adversely affect our reputation indirectly,by association.In addition,adverse publicity or negative information posted on social media,whether or not factually correct,may affect our business prospects.All of these could adversely affect our growth,results of ~~operation~~ **operations** and financial condition.We must keep pace with technological change to remain competitive and introduce new products and services.Financial products and services have become increasingly technologically driven.Our ability to meet the needs of our customers competitively and introduce new products in a cost- efficient manner is dependent on the ability to keep pace with technological advances,to invest in new technology as it becomes available,establish and implement adequate risk management processes related to new technology and to obtain and maintain related essential personnel.Many of our competitors have already implemented critical technologies and have greater resources to invest in technology than we do and may be better equipped to market new technologically driven products and services.In addition **,we** may not **have the same ability to rapidly respond to technological innovations as our competitors do. Furthermore, the introduction of new technologies and products by financial technology companies and financial technology platforms, including the potential utilization of blockchain technology to provide alternative high speed payment systems and the adoption of artificial intelligence, may adversely affect our ability to obtain new customers and successfully grow our business. The increased demand for, and availability of, alternative payment systems and currencies not only increases competition for such services, but has created a more complex operating environment that, in certain cases, may require additional or different controls to manage fraud, operational, legal and compliance risks. The financial services industry could become even more competitive as a result of legislative and regulatory changes and continued consolidation. For example, in recent years, the OCC has begun to accept applications from financial technology companies to become special purpose national banks. The ability to keep pace with technological change is important, and the failure to do so, due to cost, proficiency or otherwise, could have a material adverse impact on our business and therefore on our financial condition and results of operations. 45Consumers may decide not to use banks to complete their financial transactions. Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds or general- purpose reloadable prepaid cards. Consumers can also complete transactions, such as paying bills and / or transferring funds directly without the assistance of banks. Transactions utilizing digital assets, including cryptocurrencies, stablecoins and other similar assets have increased substantially. Certain characteristics of digital asset transactions, such as the speed with which such transactions can** be ~~available~~ **conducted, the ability** to ~~us .Transactions utilizing digital assets,including cryptocurrencies,stablecoins and other similar assets have increased substantially.Certain characteristics of digital asset transactions,such as the speed with which such transactions can be conducted,the ability to~~ transact without the involvement of regulated intermediaries and the ability to engage in transactions across multiple jurisdictions are appealing to certain consumers,notwithstanding the various risks posed by such transactions.Accordingly,digital asset service providers — which,at present,are not subject to the extensive regulation as banking organizations and other financial institutions — have become active competitors for our customers' banking business. **Further,the initiative by the CFPB to promote " open and decentralized banking " through its proposal of a personal financial data rights regulation could lead to greater competition for products and services among banks and nonbanks alike.** The process of eliminating banks as intermediaries,known as " disintermediation," could result in the loss of fee income

and the loss of customer deposits and the related income generated from those deposits.The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on ~~reasonable terms or~~ **our** ~~at all~~ **financial condition and results of operations** . ~~45Other~~ -- **Other** Risks Related to Our BusinessOur future success depends on our ability to identify, attract and retain key employees and other qualified personnel. We have undergone significant effort to strategically hire new employees and retain existing employees, while also continuing to explore exiting certain unproductive or ancillary activities. However, we may not be successful in retaining our key employees, or replacing contract employees or departed employees, and the unexpected loss of services of one or more of our officers or directors could have a material adverse effect on our business because of their skills, knowledge of our market and financial products, years of industry experience and the difficulty of finding qualified replacement personnel **. Our ability to successfully and strategically hire and retain appropriate personnel is particularly critical to our ability to pursue and support the implementation of any new strategic plan** . We recognize that the banking industry is competitive and replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully manage, develop and grow in the banking industry. If we fail to identify and develop or recruit successors, we are at risk of being harmed by the departures of key employees. We face risks related to our operational, technological and organizational infrastructure. Our ability to grow and compete, including to develop and deliver new products that meet the needs of our existing customers and attract new ones, is dependent on our ability to build or acquire the necessary operational and technological infrastructure and to manage the cost of that infrastructure as we expand. Our ability to run our business in compliance with applicable laws and regulations is also dependent on that infrastructure. Operational risk can manifest itself in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees or outside persons and exposure to external events, and we are dependent on our operational infrastructure to help manage these risks. In addition, we are heavily dependent on the strength and capability of our technology systems, which we use both to interface with our customers and to manage our internal financial records and other systems. Any shortcomings in our technology systems subjects us to risk of misconduct by our employees that may go undetected. We monitor our operational and technological capabilities and make modifications and improvements when we believe it will be cost effective to do so. If we experience difficulties, fail to comply with banking regulations or keep up with increasingly sophisticated technologies, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, financial condition and results of operations could be adversely affected, perhaps materially. Even if we are able to replace them, it may be at a higher cost to us, which could materially adversely affect our business, financial condition and results of operations. ~~Third~~ **46Third** - party vendors provide key components of our business infrastructure and our technology framework, such as internet connections, network access and core application processing. While we have selected these third **-** party vendors carefully in accordance with supervisory requirements, we do not control their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers and otherwise to conduct our business. Replacing these third **-** party vendors could also entail significant delay and expense. These third- party vendors are also subject to the same cyber risks and other risks that we encounter. These third- party risks continue to be an area of supervisory focus, so we will need to ensure the proper framework is in place to address them. 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 shareholder 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 risks. 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. ~~46We~~ **We** face significant operational risks because the financial services business involves a high volume of transactions and increased reliance on technology, including risk of loss related to cybersecurity or privacy breaches. We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions and to collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others, as well as our own business, operations, plans and strategies. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our ~~company~~ **Company** , the execution of unauthorized transactions, errors relating to transaction processing and technology, systems failures or interruptions, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. We face an increasing number of regulations and regulatory scrutiny related to our information technology systems, and security or privacy breaches with respect to our data could result in regulatory fines, reputational harm and customer losses, any of which would significantly impact our financial condition. As cybersecurity threats are inherently difficult to predict and can take many forms, insurance coverage may not be available for losses associated with cyberattacks or information security breaches, or where available, such losses may exceed insurance limits. In addition, we may not be able to rely on indemnification or another source of third- party recovery in the event of a breach of such functions. In addition, we outsource some of our data processing to certain third- party providers. If these third-party providers encounter difficulties, including as a result of cyberattacks or information security breaches, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be materially and adversely affected. ~~Although~~ **47Although** we have implemented and intend to continue to implement and enhance security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful in deterring or mitigating the effects of every cyberthreat that we

face. In addition, advances in computer capabilities, new discoveries in the field of cryptography, quantum computing **, artificial intelligence** or other developments could result in a compromise or breach of the algorithms we and our third- party service providers use to protect client transaction data, other customer data and employee data. Any successful **cyberattack** ~~cyber- attack~~ or other information security breach involving the misappropriation, loss or other unauthorized disclosure of **sensitive or** confidential customer information or that compromises our ability to function could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business. Any successful **cyberattack** ~~cyber- attack~~ may also subject the Company to regulatory investigations, litigation or enforcement, or require the payment of regulatory fines or penalties or undertaking costly remediation efforts with respect to third parties affected by a cybersecurity incident, all or any of which could adversely affect the Company' s business, financial condition or results of operations and damage its reputation. Cyberattacks, including those targeting critical infrastructure sectors, have become more frequent and sophisticated **. Risk related to cybersecurity remains elevated as cyberattacks evolve and have a greater and more pervasive economic impact** . Critical infrastructure sectors, including financial services, increasingly have been the targets of cyberattacks, including attacks emanating from foreign countries such as the attack on the information technology company SolarWinds, which affected many Fortune 500 companies as well as U. S. government agencies. **We have previously experienced cyberattacks on our business, none of which have had a material effect on our business or operations, and expect to continue to be the target of future cyberattacks.** Cyberattacks involving large financial institutions, including **distributed** denial of service attacks designed to disrupt external customer- facing services, nation state cyberattacks and ransomware attacks designed to deny organizations access to key internal resources or systems **or other critical data** , and targeted social engineering and **phishing** email **and text message** attacks designed to allow unauthorized persons to obtain access to an institution' s information systems and data or that of its customers **,** are becoming more common and increasingly sophisticated and can be difficult to prevent. ~~Reports of ransomware incidents specifically have~~ **In particular, there has been an observed** ~~increased~~ - **increase** in **the number of distributed denial of service** ~~recent years and information technology software supply chain~~ attacks **against** ~~, including those~~ -- **the** ~~involving~~ financial ~~institutions~~ **sector over the past year** , ~~also have increased during this period, some of~~ which **increase is believed** ~~have resulted in temporary, but impactful, disruptions~~ to **be partially attributable to politically motivated attacks as well as** ~~the functioning of critical infrastructure sectors or the operations of specific~~ financial **demands coupled with extortion** ~~institutions. Threat actors are increasingly seeking to target vulnerabilities in software systems used by large numbers of banking organizations to conduct malicious cyber activities. These types of attacks have resulted in increased supply chain and third- party risk~~ . In addition, ~~cybersecurity risks for financial institutions have evolved as a result of the~~ **other recent** ~~use of new technologies, devices and delivery channels to transmit data and conduct financial transactions. The adoption of new products, services and delivery channels contribute to a more complex operating environment, which increases operational risk and presents the potential for additional structural vulnerabilities. In addition, the ongoing and widespread remote work environment that has resulted from the COVID- 19 pandemic has subjected institutions to additional cybersecurity vulnerabilities and risks. 47Current~~ threat trends have shown more sophisticated cyberattacks on financial systems throughout the United States, with an increase in business email compromises targeting executives **. Reports of ransomware incidents specifically have increased** in **recent years and information technology software supply chain attacks, including** ~~the~~ **those** ~~past six months~~ **involving financial institutions, also have increased during this period, some of which have resulted in temporary, but impactful, disruptions to the functioning of critical infrastructure sectors or the operations of specific financial institutions. Threat actors are increasingly seeking to target vulnerabilities in software systems and weak authentication controls used by large numbers of banking organizations to conduct malicious cyber activities. These types of attacks have resulted in increased supply chain and third- party risk. In addition, cybersecurity risks for financial institutions have evolved as a result of the use of new technologies, devices and delivery channels to transmit data and conduct financial transactions** . The **adoption of new products** , ~~as~~ **services and delivery channels contribute to** a ~~result~~ **more complex operating environment** , ~~global financial conditions were volatile throughout 2022~~ **which increases operational risk and presents the potential for additional structural vulnerabilities** . ~~These developments have amplified existing economic uncertainty~~ **As such,a single cyberattack is now able to compromise hundreds of organizations** and ~~have impacted rates~~ **affect a significant number** of ~~inflation~~ **consumers.In addition** , **the ongoing** and ~~corresponding economic conditions,experienced across~~ **widespread remote work environment that has resulted from** the ~~globe~~ **COVID- 19 pandemic has subjected institutions to additional cybersecurity vulnerabilities and risks** . ~~For additional information,see " — Risks Related to Interest Rates — Increasing interest rates could reduce our net interest income and otherwise negatively impact our financial condition and results of operations."~~ Further,the military invasion of Ukraine by Russian forces may impact our ~~risk~~ exposure **to** ~~in other areas,most notably our~~ cybersecurity risk.The U.S. ~~Government~~ **government** has warned institutions operating in critical sectors,such as the financial services sector,of the potential for Russia to engage in malicious cyber activities in response to the international economic sanctions that have been imposed against the Russian government and organizations and individuals within Russia.Institutions that provide critical services,including all members of the financial sector such as the Company and the ~~Bank,~~ Bank ~~continues to review~~ **, have been encouraged by the Administration** and **the federal banking agencies** ~~monitor its cybersecurity controls and processes~~ to ~~ensure customer~~ **enhance cyber- defense systems** and ~~company~~ **take steps to further secure their** data ~~is secure~~ **in anticipation of potential malicious cyber activity by the Russian government or other Russian actors** . ~~Any~~ **48Any** successful cyberattack or other security breach involving the misappropriation, loss **, leak** or other unauthorized disclosure of **sensitive or** confidential customer information or that compromises our ability to function could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business. Any successful cyberattack may also subject us to regulatory investigations, litigation or enforcement, or require

the payment of regulatory fines or penalties or undertaking of costly remediation efforts with respect to third parties affected by a cybersecurity incident, all or any of which could adversely affect our business, financial condition or results of operations and damage its reputation. Additionally, any failure by us to communicate cyberattacks or other security breaches appropriately to relevant parties could result in regulatory and reputational risk. Other potential attacks have attempted to obtain unauthorized access to **sensitive or** confidential information or destroy data, often through the introduction of computer viruses or malware, cyberattacks and other means. To date and to the best of our knowledge, none of these types of attacks have had a material effect on our business or operations. Such security attacks can originate from a wide variety of sources, including persons who are involved with organized crime or who may be linked to terrorist organizations or hostile foreign governments. Those same parties may also attempt to fraudulently induce employees, customers or other users of our systems to disclose sensitive information in order to gain access to our data or that of our customers or clients. We are also subject to the risk that our employees may intercept and transmit unauthorized **sensitive,** confidential or proprietary information. An interception, misuse or mishandling of personal **, sensitive** , confidential or proprietary information being sent to or received from a customer or third party could result in legal liability, remediation costs, regulatory action and reputational harm. We have operational risk associated with third- party vendors and other financial institutions. We rely upon certain third- party vendors to provide products and services necessary to maintain our day- to- day operations. Accordingly, our operations are exposed to the risk that these vendors might not perform in accordance with applicable contractual arrangements or service level agreements. The failure of an external vendor to perform in accordance with applicable contractual arrangements or service level agreements could be disruptive to our operations and could have a material adverse effect on our financial condition or results of operations and / or damage our reputation. Further, third- party vendor risk management continues to be a point of regulatory emphasis. A failure to follow applicable regulatory guidance in this area could expose us to regulatory sanctions. The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, execution of transactions or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market- wide liquidity and credit problems, losses or defaults by other institutions. This risk is sometimes referred to as " systemic risk " and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which we interact on a daily basis, and, therefore, could adversely affect us. ~~In addition, on January 3, 2023, the FRB, FDIC and OCC issued a joint statement highlighting key risks to banking organizations arising from the cryptoasset sector, including, among other things, fraud and scam, legal custody, inaccurate or misleading representations and disclosures by cryptoasset companies, contagion and concentration, and risk management and governance. While we do not currently transact with cryptoassets or cryptoasset companies, we cannot guarantee that any of our third- party vendors or the other financial institutions with whom we engage will not transact with, or be adversely affected by or exposed to the effects of, cryptoassets or cryptoasset companies.~~ Any of these operational or other risks could result in our diminished ability to operate one or more of our businesses, financial loss, potential liability to customers, inability to secure insurance, reputational damage and regulatory intervention and could materially adversely affect us ~~. 48We have suspended the origination of residential loans as our third- party vendor for residential loan origination, Promontory MortgagePath, is ceasing to do business. Beginning in the second quarter of 2022, we outsourced our residential loan origination function to Promontory MortgagePath, which provided community banks with an outsourced residential lending service for mortgage loan production. In November 2022, Promontory MortgagePath advised the Company of its intent to cease conducting business. Promontory MortgagePath and the Company continued to accept loan applications through November 30, 2022. We used commercially reasonable efforts to evaluate and originate pending loan applications by February 28, 2023. The Company is in the process of finding a new mortgage fulfillment provider. Until such time as we enter into an agreement with a replacement provider, we have suspended the origination of residential loans, and pending further evaluation of our alternatives, we may discontinue the origination of residential loans. However, we may purchase residential loans from the secondary market in the future. As a result of the suspension of the origination of residential loans and our decision earlier this year to discontinue the origination of construction loans, we expect the size of our balance sheet to continue to decline as loan repayments are received~~ . We depend on the accuracy and completeness of information provided by customers and counterparties. In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by, or on behalf of, customers and counterparties, including financial statements and other financial information. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information. In deciding whether to extend credit, we may rely upon our customers' representations that their financial statements are accurate. We also may rely on customer representations and certifications, or other audit or accountants' reports, with respect to the business and financial condition of our commercial clients. Our financial condition, results of operations, financial reporting and reputation could be materially adversely affected if we rely on materially misleading, false, inaccurate or fraudulent information. ~~We~~ **49We** could be adversely affected by the soundness of other financial institutions and other third parties we rely on. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including banks, brokers and dealers, investment banks and other institutional entities. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when our collateral cannot be foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit due. Adherence to our internal policies and procedures by our employees is critical to our performance. Our internal policies and procedures are a critical component of our corporate governance and, in some cases, compliance with applicable regulations. We adopt internal policies and procedures to guide management and employees regarding the operation and conduct of our business. Any deviation or non- adherence to these internal policies and procedures, such as the conduct leading to the termination of the Advantage Loan Program, whether intentional or unintentional, could have a detrimental effect on our management, operations

or financial condition. We and our borrowers in our California communities may be adversely affected by earthquakes **, floods** or other natural disasters, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster. The majority of our branches are located in the San Francisco and Los Angeles, California **metropolitan** areas, which in the past have experienced ~~both~~ severe earthquakes **, floods** and wildfires. We do not carry earthquake insurance on our properties. Earthquakes, wildfires or other natural disasters could severely disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects. In addition, our customers and loan collateral may be severely impacted by such events, resulting in losses. ~~49If~~ **If** a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our branches, that damaged critical infrastructure or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time in the San Francisco and / or Los Angeles, California **metropolitan** areas. The disaster recovery and business continuity plan that we have in place currently is limited and is unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business. We are subject to **ESG** ~~environmental, social and governance~~ risks that could adversely affect our reputation and the market price of our securities. We are subject to a variety of risks arising from ESG matters. ESG matters include climate risk, hiring practices, the diversity of our work force, and racial and social justice issues involving our personnel, customers and third parties with whom we otherwise do business. Risks arising from ESG matters may adversely affect, among other things, our reputation and the market price of our securities. We may be exposed to negative publicity based on the identity and activities of those to whom we lend and with which we otherwise do business and the public' s view of the approach and performance of our customers and business partners with respect to ESG matters. Any such negative publicity could arise from adverse news coverage in traditional media and could also spread through the use of social media platforms. Our relationships and reputation with our existing and prospective customers and third parties with which we do business could be damaged if we were to become the subject of any such negative publicity. This, in turn, could have an adverse effect on our ability to attract and retain customers and employees and could have a negative impact on the market price for securities. Investors have begun to consider the steps taken and resources allocated by financial institutions and other commercial organizations to address ESG matters when making investment and operational decisions. Certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to the risks posed by climate change and other ESG matters into their investment theses. These shifts in investing priorities may result in adverse effects on the market price of our securities to the extent that investors determine that the Company has not made sufficient progress on ESG matters. ~~Climate~~ **50Climate** change and related legislative and regulatory initiatives may materially affect the Company' s business and results of operations. The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The U. S. Congress, state legislatures and federal and state regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. Such initiatives have been pursued with rigor under the current Administration. ~~50U~~ **U** . S. financial regulatory authorities recently have sharpened their focus on the risks posed by climate change to the financial sector and the institutions within it. ~~On~~ **In** October ~~21,~~ 2021, the Financial Stability Oversight Council ~~(" FSOC ")~~, whose members include the federal banking agencies (including the OCC), published a report on climate- related financial risk. In that report the ~~FSOC~~ **Financial Stability Oversight Council** concluded, for the first time, that climate change represents an emerging and increasing threat to U. S. financial stability. Accordingly, ~~FSOC~~ **Financial Stability Oversight Council** has recommended that its member agencies accelerate their existing efforts to further assess climate- related risks to financial stability, enhance financial institutions' climate- related disclosure obligations, improve upon the availability of and access to actionable climate- related data for use in measuring and assessing climate- related financial risk, and expand upon existing capacity and expertise to ensure that climate- related financial risks are identified and managed properly. Further, ~~on~~ **in** November ~~3,~~ 2021, the leadership of the OCC and FRB announced their support for the Glasgow Declaration issued by the Network of Central Banks and Supervisors for Greening the Financial System ~~(the " NGFS ")~~, which is comprised of over 100 central banks and supervisors from across the global financial system, in which the ~~NGFS~~ **Network of Central Banks and Supervisors for Greening the Financial System** expressed its members' commitment to improve the resilience of the financial system to climate- related and environmental risks and set forth a number of targeted workstreams to be undertaken in the coming years in order to do so. Consistent with the objectives outlined above, the leadership of each of the OCC, FRB and the U. S. Treasury Department has emphasized that climate- related risks are faced by banking organizations of all types and sizes, specifically including physical and transition risks; is in the process of enhancing supervisory expectations regarding banks' risk management practices; and has indicated increased expectations for larger financial institutions to measure, monitor and manage climate- related risk as part of their enterprise risk management processes. **In October** ~~The OCC currently is engaged in multiple collaborative initiatives with other governmental authorities to assess the physical and transition risk posed by climate change and the appropriate corresponding expectations for bank risk management. The OCC also has created an Office of Climate Risk and appointed a Chief Climate Risk Officer to lead it in order to assist with these initiatives and to support the agency' s efforts to enhance its supervision of climate change risk management. To that end, in December 2021~~ **2023** , the ~~OCC published proposed~~ **federal banking agencies issued interagency guidance on** principles for climate **- related financial** risk management ~~by larger banking organizations. In March 2022 and December 2022, the FDIC and the FRB, respectively, published their own proposed principles~~ for ~~climate risk management by larger banking organizations~~ **banks with total assets of over $ 100 billion** . The largest banks are ~~being~~ encouraged ~~by their regulators~~ to address the climate- related risks that they face by accounting for the effects of climate change

in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate- related factors, evaluating the impact of climate change on their borrowers, considering possible changes to underwriting criteria to account for climate- related risks to mortgaged properties, incorporating climate- related financial risk into their internal reporting and monitoring and escalation processes, planning for transition risk posed by the adjustments to a low- carbon economy and investing in climate- related initiatives and lending to communities disproportionately impacted by the effects of climate change. ~~Further, the FRB has partnered with six of the nation' s largest banks in a pilot climate scenario analysis exercise designed to enhance the ability of supervisors and firms to measure and manage climate- related financial risks. This exercise will take place over the course of 2023. When complete, the FRB will publish insights from the pilot, including what has been learned about climate risk management practices and how insights from scenario analysis will help identify potential risks and promote risk management practices. Although these requirements would not apply to a banking organization of our size, our regulators generally will expect us to enhance our internal control and risk management programs and processes.~~ To the extent that these initiatives lead to the promulgation of new regulations or supervisory guidance applicable to us, we would expect to experience increased compliance costs and other compliance- related risks **. In March 2024, the SEC adopted a rule requiring registrants, such as the Company, to disclose climate- related information (including, among other things, governance, strategy, risk mangement, climate- related goals and greenhouse gas emissions metrcis) in their periodic reports. The new rules are extensive with multiple efftective dates based on the registrant' s filing status, with the first disclosures by the Comnpany likely due with its Annual Report on Form 10- K for fiscal year 2026. We are beginning to evaluate the impact of the new rules, and we may incur increased costs in order to comply with them** .
51The effects of climate change continue to create an alarming level of concern for the state of the global environment. As a result, the global community has increased its political and social awareness surrounding the issue and have entered into international agreements in an attempt to reduce global temperatures **,** such as the Paris Agreement, which the United States re-joined as of February ~~19,~~ 2021. Further, the U. S. Congress, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives to supplement the global effort to combat climate change. Similar initiatives are expected under the current administration, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate- related factors and encouraging investment by banks in climate- related initiatives and lending to communities disproportionately impacted by the effects of climate change. Such measures may also result in the imposition of taxes and fees, the required purchase of emission credits and the implementation of significant operational changes, each of which may require the Company to upend significant capital and incur compliance, operating, maintenance and remediation costs. The lack of empirical data surrounding the credit and other financial risks posed by climate change render it impossible to predict how specifically climate change may impact our financial condition and results of operations; however, the physical effects of climate change may also directly impact and present certain unique risks to us. Specifically, unpredictable and more frequent weather disasters may adversely impact the value of real property securing the loans in our portfolios. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact our ability to raise and invest capital in potentially impacted communities. Overall, climate change, its effects and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations. Adverse conditions internationally could adversely affect our customers and business. Many of our customers are recent immigrants or foreign nationals. U. S. and global economic policies, military tensions, and unfavorable global economic conditions may adversely impact the economies in which our customers have family or business ties. A significant deterioration of economic conditions internationally, and in Asia in particular, could expose us to, among other things, economic and transfer risk, and we could experience an outflow of deposits by those of our customers with connections to Asia. In addition, foreign currency restrictions, particularly on the movement of cash from abroad, could adversely affect many of our customers, including with respect to their ability to repay loans. Adverse economic conditions abroad, and in China or Taiwan in particular, may also negatively impact the profitability and liquidity of our customers with ties to these regions. Changes in the valuation of our securities portfolio could hurt our profits and reduce our shareholders' equity. Our securities portfolio may be impacted by fluctuations in market value, potentially reducing accumulated other comprehensive income (loss) and / or net income. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. ~~Management evaluates~~ **At December 31, 2023, we owned available for sale debt** securities **with a carrying value of $ 419. 2 million, which largely consisted of our positions in obligations of the U. S. government and government- sponsored enterprises. Our available** for **sale** ~~other- than- temporary impairment on a quarterly basis, with more frequent evaluation for selected issues. In analyzing a~~ debt ~~issuer' s financial condition, management may consider whether the~~ securities are **stated** ~~issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and industry analysts' reports. In analyzing an equity issuer' s financial condition, management may consider industry analysts' reports, financial performance and projected target prices of investment analysts. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, a potential loss to net income may occur. Changes in interest rates can also have an adverse effect on our financial condition, as our available- for- sale securities are reported~~ at ~~their estimated~~ fair value **, with unrealized gains** and **losses reported** ~~therefore are impacted by fluctuations~~ in ~~interest rates. We increase or decrease our~~ **accumulated other comprehensive income (loss), which is a component of** shareholders' equity ~~by the amount of change~~ **. We evaluate our investment securities on at least a quarterly basis, and more frequently when economic and market conditions warrant such an evaluation. For available for sale debt securities** in **an unrealized loss position, we assess whether we intend to sell, or it is more likely than not that we will be required to sell,** the ~~estimated~~ **security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security' s amortized cost basis is written down to** fair value **through**

income. Because of ~~the available~~ **changing economic and market conditions affecting issuers, we may be required to record an allowance** for ~~- sale~~ **credit losses related to these** securities ~~, net of taxes~~ . **This** ~~Declines in market value could result in other- than- temporary impairments of these assets, which would lead to accounting charges that~~ could have a material **impact** ~~adverse effect~~ on our **results of operations** ~~net income and capital levels~~ . 52Our critical accounting policies and estimates, risk management processes and controls rely on analytical and forecasting techniques and models, management judgments and assumptions about matters that are uncertain and may not accurately predict future events. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods, so they comply with accounting principles generally accepted in the United States of America (" U. S. GAAP ") and reflect management' s judgment of the most appropriate manner in which to report our financial condition and results **of operations** . In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in our reporting materially different results than would have been reported under a different alternative. Certain accounting policies are critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include the allowance for ~~loan~~ **credit** losses ~~, legal contingencies and litigation accruals~~ and the fair value of financial instruments. Because of the uncertainty of estimates involved in these matters, we may be required to significantly increase the allowance for ~~loan~~ **credit** losses or sustain ~~loan~~ **credit** losses that are significantly higher than the ~~reserve~~ **allowance for credit losses** provided or reduce the carrying value of an asset measured at fair value. Any of these could have a material adverse effect on our business, financial condition or results of operations. Our internal controls, disclosure controls, processes and procedures and corporate governance policies and procedures are based in part on certain assumptions and can provide only reasonable (not absolute) assurances that the objectives of the system are met. Any failure or circumvention of our controls, processes and procedures or failure to comply with regulations related to controls, processes and procedures could necessitate changes in those controls, processes and procedures, which may increase our compliance costs, divert management attention from our business or subject us to regulatory actions and increased regulatory scrutiny. Any of these could have a material adverse effect on our business, financial condition or results of operations. ~~We are no longer an " emerging growth company, " and therefore we are no longer eligible for reduced reporting requirements applicable to emerging growth companies. It has been five years since our initial public offering of our common stock in 2017, and we are no longer eligible for the reduced disclosure requirements afforded to " emerging growth companies " under the JOBS Act. Emerging growth companies may take advantage of exemptions from various reporting requirements that are otherwise applicable to other public companies that are not emerging growth companies. As such, we are now required to, among other things, receive an attestation report from our independent registered public accounting firm as to our internal control over financial reporting under Section 404 of the Sarbanes- Oxley Act, submit certain executive compensation matters to stockholder advisory votes, and comply with more stringent executive compensation disclosure requirements. As a result, we are no longer able to take advantage of any cost savings opportunities available to emerging growth companies under the JOBS Act. Although we did not previously elect many of the opportunities for reduced disclosure afforded to us, we cannot predict or estimate the amount or timing of additional costs we may incur to comply with these incremental requirements. Notwithstanding the foregoing, we remain a " smaller reporting company " and continue to be eligible for the reduced disclosure requirements afforded to smaller reporting companies. 53Risks~~ -- **Risks** Related to Governance MattersThe Seligman family, directly and through the family' s trusts, has influenced and has the ability to continue to influence our operations and to control the outcome of matters submitted for shareholder approval and may have interests that differ from those of our other shareholders. Scott J. Seligman and others of his family were the original founders of the Bank, and Mr. Seligman has had a variety of senior roles and positions over the course of many years. Prior to 2000, he served as a member of the Bank' s board and as chief executive officer of the Bank. After 2000 and through December 31, 2019, he served as a consulting director to the board of the Bank and retained the title of vice president of the Company. In these roles, Mr. Seligman participated in the conduct of the affairs of the Bank and had a significant influence over the Bank' s operations. In addition, Mr. Seligman previously caused the Bank to engage in various transactions with other Seligman- controlled businesses. Mr. Seligman resigned from his positions as consulting director to the board of the Bank and as vice president of the Company **,** effective December 31, 2019. Trustees of the trusts established by and for the benefit of Scott J. Seligman have voting and dispositive power over approximately 47 % of our common stock, effectively giving such trusts and Mr. Seligman control over the outcome of the shareholder votes on most matters. The trustee of the trusts created by Sandra Seligman has voting and dispositive power over approximately 18 % of our common stock, and Seth Meltzer has voting and dispositive power, individually or through trust, over approximately 3 % of our common stock. Minority stockholders, therefore, cannot decide the outcome of a stockholder vote without the support of any of Scott J. Seligman, Sandra Seligman, and / or Seth Meltzer. ~~Certain~~ **53Certain** provisions of our corporate governance documents and Michigan law could discourage, delay or prevent a merger or acquisition at a premium price. Our second amended and restated articles of incorporation contain provisions that may make the acquisition of our Company more difficult without the approval of our board of directors. These include provisions that, among other things: ● permit the board to issue up to 10 million shares of preferred stock, with any rights, preferences and privileges as they may determine (including the right to approve an acquisition or other change in control); ● provide that the authorized number of directors may be fixed only by the board in accordance with our second amended and restated bylaws; ● do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares entitled to vote in any election of directors to elect all of the directors standing for election); ● provide that all vacancies and newly created directorships may be filled by the affirmative vote of at least 80 % of directors then in office, even if less than a quorum; ● prohibit removal of directors without cause; ● prohibit shareholders from calling special

meetings of shareholders; ● require unanimous consent for shareholders to take action by written consent without approval of the action by our board; ● provide that shareholders seeking to present proposals before a meeting of shareholders or to nominate candidates for election as directors at a meeting of shareholders must provide advance notice in writing and also comply with specified requirements related to the form and content of a shareholder' s notice; ● require at least 80 % supermajority shareholder approval to alter, amend or repeal certain provisions of our third amended and restated articles of incorporation; ~~and54~~ -- **and** ● require at least 80 % supermajority shareholder approval in order for shareholders to adopt, amend or repeal certain provisions of our second amended and restated bylaws. These provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of the board of directors, which is responsible for appointing members of our management. Any matters requiring the approval of our shareholders will require the approval of the Seligman family and their trustees, which may have interests that differ from those of our other shareholders. In addition, the 2017 Omnibus Equity Incentive Plan and the 2020 Omnibus Equity Incentive Plan each provide that restricted stock awards become fully vested in the event of a change in control and permit the board of directors or a committee thereof to accelerate, vest or cause the restrictions to lapse with respect to other outstanding awards including stock options, in the event of, or immediately prior to, a change in control. Such vesting or acceleration could discourage the acquisition of our Company. **54** ~~We could also become subject to certain anti- takeover provisions under Michigan law which may discourage, delay or prevent someone from acquiring us or merging with us, whether or not an acquisition or merger is desired by or beneficial to our shareholders. If a corporation' s board of directors chooses to opt- in to certain provisions of Michigan Law, such corporation may not, in general, engage in a business combination with any beneficial owner, directly or indirectly, of 10 % of the corporation' s outstanding voting shares unless the holder has held the shares for five years or more or, among other things, the board of directors has approved the business combination. Our board of directors has not elected to be subject to this provision but could do so in the future. Any provision of our second amended and restated articles of incorporation or amended and restated bylaws or Michigan law that has the effect of delaying or deterring a change in control could limit the opportunity for our shareholders to receive a premium for their shares and could also affect the price that some investors are willing to pay for our common stock otherwise. The exclusive forum provision in our second amended and restated bylaws could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees. Our second amended and restated bylaws provides that the courts of the State of Michigan located in Oakland County and the U. S. District for the Eastern District of Michigan shall be the sole and exclusive forum for (i) any action or proceeding brought on our behalf, (ii) any derivative action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or employees to us or our shareholders, (iii) any action asserting a claim arising pursuant to any provision of the Michigan Business Corporation Act (as it may be amended from time to time), or (iv) any action asserting a claim against us governed by the State of Michigan' s internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our common stock shall be deemed to have notice of and consented to the provisions of our second amended and restated articles of incorporation described above. This choice of forum provision may limit a shareholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, 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 these provisions of our second amended and restated bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations. Our ability to pay dividends is restricted by applicable law and regulations and the terms of our subordinated notes and depends on the success of both Sterling Bancorp, Inc. and the Bank. Our ability to pay cash dividends is restricted by the terms of our subordinated notes as well as applicable provisions of Michigan law and the rules and regulations of the OCC and the FRB. Under the terms of the subordinated notes, as long as the subordinated notes are outstanding, the Company is permitted to pay dividends if prior to such dividends, the Bank is considered well capitalized under applicable regulatory capital requirements. In addition, under Michigan law, Sterling Bancorp, Inc. is prohibited from paying cash dividends if, after giving effect to the dividend, (i) it would not be able to pay its debts as they become due in the usual course of business or (ii) its total assets would be less than the sum of its total liabilities plus the preferential rights upon dissolution of shareholders with preferential rights on dissolution that are superior to those receiving the dividend, and we are currently required to obtain the prior approval of the FRB in order to pay any dividends to our shareholders. 55~~