Risk Factors Comparison 2024-02-29 to 2023-03-01 Form: 10-K

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These factors may remain prevalent for a significant period of time and may continue to adversely affect our business, results of operations and financial condition even after the COVID- 19 pandemic has subsided. Additionally, the COVID- 19 pandemic has significantly affected the financial markets and has resulted in a number of Federal Reserve actions. Market interest rates have declined significantly. In March 2020, the Federal Reserve reduced the target federal funds rate and announced a $ 700 billion quantitative easing program in response to the expected economic downturn caused by the COVID- 19 pandemic. In addition, the Federal Reserve reduced the interest that it pays on excess reserves. We expect that these reductions in interest rates, especially if prolonged, could adversely affect our net interest income and margins and our profitability. The Federal Reserve also launched the Main Street Lending Program, which will offer deferred interest on four- year loans to small and mid-sized businesses. The full impact of the COVID- 19 pandemic on our business activities as a result of new government and regulatory policies, programs and guidelines, as well as market reactions to such activities, remains uncertain. The Bank is a participating lender in the PPP, a loan program administered through the SBA that was created under the CARES Act to help eligible businesses, organizations and self- employed persons fund their operational costs during the COVID- 19 pandemic. Under this program, the SBA guarantees 100 % of the amounts loaned under the PPP, and borrowers are eligible to apply to the FDIC for forgiveness of their PPP loan obligations. The PPP opened on April 3, 2020; however, because of the short window between the passing of the CARES Act and the opening of the PPP, there was some initial ambiguity in the laws, rules and guidance regarding the operation of the PPP, which exposed us to risks relating to noncompliance with the PPP. For instance, other financial institutions have experienced litigation related to their process and procedures used in processing applications for the PPP. Under the PPP, lending banks are generally entitled to rely on borrower representations and certifications of eligibility to participate in the program, and lending banks may also be held harmless by the SBA in certain circumstances for actions taken in reliance on borrower representations and certifications. The PPP was modified on June 5, 2020, with the adoption of the Paycheck Protection Program Flexibility Act, or (" the PPFA "). The PPFA increased the amount of time that borrowers have to use PPP loan proceeds and apply for loan forgiveness and made other changes to make the program more favorable to borrowers. Notwithstanding the foregoing, the Bank has been, and may continue to be, exposed to credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced. If a deficiency is identified, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from the Bank. The Bank' s participation in and execution of these and other measures taken by governments and regulatory authorities in response to the COVID- 19 pandemic could result in reputational harm and has resulted in, and may continue to result in, litigation, including class actions, or regulatory and government actions and proceedings. Such actions may result in judgments, settlements, penalties and fines levied against us. In addition, while the COVID- 19 pandemic had a material impact on the provision for credit losses and fair value estimates in 2020, we are unable to fully predict the impact that COVID- 19 will have on the credit quality of the loan portfolios of the Bank, our financial position and results of operations due to numerous uncertainties. One of the provisions of the CARES Act was the payment by the U. S. government of six months of principal and interest on SBA 7a loans, which was largely completed in the fourth quarter of 2020. Additional payments were authorized in December 2020 legislation, substantially all of which had expired by December 31, 2021. Accounting and banking regulators determined that principal and interest deferrals of up to six months did not represent material changes in loan terms and such loans were not, during the deferral period, classified as delinquent or restructured. Substantially all loans with deferred payments had returned to payment status by December 31, 2021, but loans which had payment deferrals may represent a greater credit risk, depending on the future impact of the COVID- 19 pandemic. We will continue to assess these and other potential impacts on the credit quality of the loan portfolio of the Bank, our financial position and results of operations. The extent to which the COVID- 19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID- 19 pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of the virus' s global economic impact, including the availability of credit, adverse impacts on liquidity and any recession that has occurred or may occur in the future. There are no comparable recent events that provide guidance as to the effect the spread of COVID- 19 as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of the impacts on our business, operations or the economy as a whole. However, the effects could have a material impact on our results of operations and heighten many of the known risks described in this " Risk **Risks** Factors " section. **Relating to Our Business and Industry** ? Periods of weak economic and slow growth conditions in the U. S. economy have had, and may continue to have, significant adverse effects on our assets and operating results. In ? recent **Recent developments** periods, the United States economy has been subject to low rates of growth in **the banking industry related to specific problem banks could** general and, in particular localities, recession- like conditions have occurred. As a **negative impact on the industry as a whole and may negatively impact stock prices and** result , the financial system in **additional regulations that** the United States, including credit markets and markets for real estate and real- estate related assets, have periodically been subject to weakness. These weaknesses have episodically resulted in declines in the availability of credit, reduction in the values of real estate and real estate- related assets, the reduction

~~of markets for those assets and impairment of the ability of certain borrowers to repay their obligations. A continuation of weak economic conditions~~ could **increase** ~~further harm~~ our **expenses** ~~financial condition~~ and ~~results of~~ **otherwise affect our** operations. ? We cannot assure you that we will be able to accomplish our strategic goals **as necessary** ~~that would enable us~~ to meet our financial targets. ? Our future earnings will reflect our level...... as necessary to achieve financial targets. We may have difficulty managing our growth which may divert resources and limit our ability to expand our operations successfully. ? Our future profitability will depend in part...... at which our common shares trade. Risk management processes and strategies must be effective, and concentration of risk increases the potential for losses. ? ~~Our risk management processes and strategies must be effective, otherwise losses may result. We manage asset quality, liquidity, market sensitivity, operational, regulatory, third- party vendor and partner relationship risks and other risks through various processes and strategies throughout the organization. If our risk management judgments and strategies are not effective, or unanticipated risks arise, our income could be reduced or we could sustain losses.~~ We operate in highly competitive markets ~~. We face substantial competition in all phases of our operations from a variety of different competitors~~ , ~~including commercial banks and their holding companies, credit unions, leasing companies, consumer finance companies, factoring companies, insurance companies and money market mutual funds and card issuers. In 2018, the Office of the Comptroller of the Currency announced that it would begin to accept and evaluate charters for entities that wanted to conduct certain components of a banking business pursuant to a federal charter, known as a" special purpose national bank" (" SPNB") charter. Intended to promote economic opportunity and spur financial innovation, SPNBs may engage in any of the following activities: paying checks, lending money or taking deposits. If any such applications are granted, recipients of an~~ **and** SPNB charter may enter the U....... and regulated financial institutions such as ours - **our** ~~. As a result, those competitors may be able to access funding and provide various services more easily or at less cost than we can. Our~~ affinity group marketing strategy has been adopted by other institutions with which we compete. **SPNB charter may enter** ~~and card issuers,online lenders,financial technology companies and other~~ -- **the U.S.payments market in which the Bank operates,which could have a material adverse effect** ~~non~~ - **on** ~~– traditional competitors~~ **the Bank and its Payments division** . ~~See Item 1," Business — Competition."~~ We face national and even global competition with respect to our other products and services,including payment acceptance products and services,private label banking,fleet leasing,government guaranteed lending and payment solutions.Our commercial partners and banking customers for these products and services are located throughout the United States,and the competition is strong in each category.We encounter competition from some of the largest financial institutions in the world as well as smaller specialized regional banks and financial service companies.Increased competition with any of these product or service offerings could result in reduced pricing and lower profit margins,fragmented market share and a failure to enjoy economies of scale,loss of customer and depositor base,and other risks that individually,or in the aggregate,could have a material adverse effect on our financial condition and results of operations. ~~Further,some~~ **Some** of the financial services organizations with which we compete are not subject to the same degree of regulation as federally- insured and regulated financial institutions such as ours ~~.As a~~ Several online banking operations as well as the online banking programs of conventional banks have instituted affinity group marketing strategies similar to ours. As a consequence, we have encountered competition in this area and anticipate that we will continue to do so in the future. This competition may increase our costs, reduce our revenues or revenue growth or, because we are a relatively small banking operation without the name recognition of other, more established banking operations, make it difficult for us to compete effectively in obtaining affinity group relationships. As a financial institution whose principal medium for delivery of banking services is the internet, we are subject to risks particular to that medium and other technological risks and costs. We utilize the internet and other automated electronic processing in our banking services without physical locations, as distinguished from the internet banking service of an established conventional bank. Independent internet banks often have found it difficult to achieve profitability and revenue growth. Several factors contribute to the unique problems that internet banks face. These include concerns for the security of personal information, the absence of personal relationships between bankers and customers, the absence of loyalty to a conventional hometown bank, the customer' s difficulty in understanding and assessing the substance and financial strength of an internet bank, a lack of confidence in the likelihood of success and permanence of internet banks and many individuals' unwillingness to trust their personal assets to a relatively new technological medium such as the internet. As a result, many potential customers may be unwilling to establish a relationship with us. Many conventional financial institutions offer the option of internet banking and financial services to their existing and prospective customers. The public may perceive conventional financial institutions as being safer, more responsive, more comfortable to deal with and more accountable as providers of their banking and financial services, including their internet banking services. We may not be able to offer internet banking and financial services and personal relationship characteristics that have sufficient advantages over the internet banking and financial services and other characteristics of established conventional financial institutions to enable us to compete successfully. Moreover, both the internet and the financial services industry are undergoing rapid technological changes, with frequent introductions of new technology- driven products and services. In addition to improving the ability to serve customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our ability to compete will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers. Such products may also prove costly to develop or acquire. Our operations may be interrupted if our network or computer systems, or those of our **third- party service** providers, fail. Because we deliver our products and services over the internet and outsource several critical functions to third parties, our operations depend on our ability, as well as that of our service providers, to protect computer systems and network infrastructure against interruptions in service due to damage from fire, power loss, telecommunications failure, **software or hardware defects** physical **attacks,** ~~break- ins and~~ computer hacking or similar

~~catastrophic~~ events. Our operations also depend upon our ability to replace a third- party provider if it experiences difficulties that interrupt our operations or if an operationally essential third- party service terminates. **Any damage to, or failure of, or delay in our processes or systems generally, or those of our service providers, or an improper action by our employees, agents or third- party vendors, could result in interruptions in our service.** Service interruptions ~~to~~ **impacting** customers may adversely affect our ability to obtain or retain customers and could result in regulatory sanctions. Moreover, if a customer were unable to access their account or complete a financial transaction due to a service interruption, we could be subject to a claim by the customer for their loss. While our accounts and other agreements contain disclaimers of liability for these kinds of losses, we cannot predict the outcome of litigation if a customer were to make a claim against us. ~~A~~ **If we face system interruptions or** ~~failure~~ **failures** ~~of cyber~~ **, our business interruption insurance may not be adequate to cover the losses or damages that we incur. In addition, our insurance costs may also increase substantially in the future to cover the costs our insurance carriers may incur. We face** ~~security~~ **cybersecurity** ~~may~~ **risks, which could** result in a loss of customers ~~and~~ **, cause disclosure of confidential information, adversely affect** our ~~being liable for~~ **operations, cause reputational** ~~damages~~ - **damage** ~~for such failure~~ **and create significant legal and financial exposure** . A significant barrier to online and other financial transactions is the secure transmission of confidential information over public networks and other mediums. The systems we use rely on encryption and authentication technology to provide secure transmission of confidential information. **These systems** ~~Advances in computer capabilities~~ , ~~new discoveries in~~ **as well as** ~~the~~ **those** ~~field~~ of ~~cryptography~~ **third- party service providers, may be targeted in cyberattacks, such as denial of service attacks, hacking, malware or ransomware intrusion, data corruption attempts, terrorist activities, or identity theft. Cyberattacks may expose security vulnerabilities in** ~~or~~ **our systems or** ~~other~~ -- **the** ~~developments~~ **systems of third parties that** could result in ~~a compromise or breach of~~ the ~~algorithms used~~ **unauthorized gathering, monitoring, misuse, release, loss, or destruction of confidential, proprietary, or sensitive information. As cyber threats continue** to **evolve, we may be required to expend significant resources to modify or enhance** ~~protect~~ **protective** ~~customer transaction data~~ **measures or to investigate and remediate any information security vulnerabilities or incidents** . ~~If~~ **Additionally, if** we, or another provider of financial services through the internet, were to suffer damage from a security breach, public acceptance and use of the internet as a medium for financial transactions could suffer. ~~Any~~ **A successful penetration or circumvention of system** security ~~breach~~ could ~~deter~~ **cause serious negative consequences, including deterrence of** potential customers or ~~cause~~ **loss of** existing customers ~~to leave~~ , thereby impairing our ability to grow and maintain profitability and, possibly, our ability to continue delivering our products and services through the internet. **A successful** ~~We could also be liable for any customer damages arising from such a~~ breach ~~. Other cyber threats involving theft of confidential information~~ could also result in ~~liability~~ **significant disruption to our operations and business; misappropriation, exposure or destruction of confidential information, intellectual property, funds and those of our clients; damage to the computers or systems of us, our clients or third party service providers; or a violation of applicable privacy laws and other laws. This could result in litigation exposure, regulatory fines, penalties, loss of confidence in our security measures, reputational damage, remediation, reimbursement or other compensatory costs, and additional compliance costs, which could adversely impact our results of operations and financial condition. In addition, we may not have adequate insurance coverage to compensate for losses from a cybersecurity event** . Although we, with the help of third- party service providers, intend to continue to implement security technology and establish operational procedures to prevent security breaches, these measures may not be successful. Failure to comply with personal data protection and privacy laws can adversely affect our business. We are subject to a variety of continuously evolving and developing laws and regulations in numerous jurisdictions regarding personal data protection and privacy. These laws and regulations may be interpreted and applied differently from state to state, and can create inconsistent or conflicting requirements. Our efforts to comply with these laws and regulations, including the CCPA as well as ~~new~~ comprehensive privacy legislation passed in Virginia, Colorado, Utah and Connecticut **and other states** , impose significant costs and challenges that are likely to continue to increase over time, particularly as additional jurisdictions continue to adopt similar regulations. Failure to comply with these laws and regulations or to otherwise protect personal data from unauthorized access, use or other processing, could in the future result in litigation, claims, legal or regulatory proceedings, inquiries or investigations, damage to our reputation, fines or penalties, all of which can adversely affect our business. We ~~the circumstances,the imposition and size of any such penalty is at the discretion of the regulator.While the Bank may be contractually indemnified for certain violations attributable to third parties,civil money penalties,if assessed against the Bank,are not recoverable from third parties~~ .Our reputation and business could be damaged by our entry into any future enforcement matters with our regulators and other negative publicity.Reputational risk,or the risk to our business,earnings and capital from negative publicity,is inherent in our business.Negative publicity can result from actual or alleged conduct in a number of areas,including legal and regulatory compliance,lending practices,corporate governance,litigation,inadequate protection of customer data,ethical behavior of our employees,and from actions taken by regulators and others as a result of that conduct.Damage to our reputation,including as a result of negative publicity associated with any regulatory enforcement actions,could impact our ability to attract new and maintain existing loan and deposit customers,employees and business relationships,which could result in the imposition of additional regulatory requirements,operational restrictions,enhanced supervision and / or civil money penalties.Such damage could also adversely affect our ability to raise additional capital on acceptable terms.We ~~are~~ **may be** subject to **potential liability and business** ~~risks~~ - **risk** ~~associated with the~~ **from actions by our regulators related to supervision of** third parties **.Our regulators or auditors may require us to increase the level and manner of our oversight of the third parties which provide marketing services which generate most of our accounts and through which we offer products and services** outsource many essential services **, including risks related** to **our agreements and oversight of** ~~third- party providers who may terminate~~ their **activities** ~~agreements with us, resulting in interruptions to our banking operations~~ . We obtain essential technological **, marketing** and customer services support for ~~the~~ **our** systems ~~we use~~ from third- party providers. ~~We~~ **For**

example, we outsource our check processing, check imaging, transaction processing, electronic bill payment, statement rendering, and other services to third- party vendors. ~~For a description of these services, see Item 1, " Business — Other Operations — Third- Party Service Providers. "~~ Our agreements with each service provider are generally cancelable without cause by either party upon specified notice periods. If one of our third- party service providers terminates its agreement with us and we are unable to replace it with another service provider, our operations may be interrupted. Even a temporary disruption in services could result in our losing customers, incurring liability for any damages our customers may sustain, or losing revenues. Moreover, there can be no assurance that a replacement service provider will provide its services at the same or a lower cost than the service provider it replaces. **Our agreements** ~~We are subject to extensive government regulation. We and our subsidiary, the Bank, are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect customers, depositors' funds, the federal deposit insurance funds and the banking system as a whole, not stockholders. These regulations affect the Bank' s lending practices, capital structure and requirements, investment activities, dividend policy, product offerings, expansionary strategies and growth, among other things. The legal and regulatory landscape is frequently changing as Congress and the regulatory agencies having jurisdiction over our operations adopt or amend laws, or change interpretation of existing statutes, regulations or policies. These changes could affect us and the Bank in substantial and unpredictable ways and could have a material adverse effect on our financial condition and results of operations. The Bank is a national bank that is subject to broad federal regulation and oversight extending to all of its operations by its primary federal regulator, the OCC, and by its deposit insurer, the FDIC. Such regulation covers all aspects of the banking business, including lending practices, safeguarding deposits, capital structure, transactions~~ with ~~affiliates, and conduct and qualifications of personnel. The Bank pays assessment fees both to the OCC and the FDIC, and the level of~~ such assessments reflects the condition of the Bank...... contractually indemnified for certain violations attributable to third parties **may also indirectly subject us to credit risk** , **fraud and** ~~civil money penalties, if assessed against the~~ **other** ~~Bank~~ **risks** , ~~are not recoverable from~~ **which could adversely impact our profitability. Additionally, our regulators or auditors may require us to increase the level and manner of our oversight of these** third parties . Our reputation and business could be...... through which we offer products and services . Although we have added significant compliance staff and have used outside consultants, our internal and external compliance examiners continually evaluate our practices and must be satisfied with the results of our third- party oversight activities. We cannot assure you that we will satisfy all related requirements. Not maintaining a compliance management system which is deemed adequate could result in sanctions against the Bank. Our ongoing review and analysis of our compliance management system and implementation of any changes resulting from that review and analysis ~~will~~ **would** likely result in increased non- interest expense ~~. Our agreements with such third parties may also indirectly subject us to credit risk, fraud and other risks, which could adversely impact our profitability~~ . Legislative and regulatory actions taken now or in the future may increase our operating costs and impact our business, governance structure, financial condition or results of operations. Federal and state regulatory agencies frequently adopt changes to their regulations or change the manner in which existing regulations are interpreted and applied. Changes to the laws and regulations applicable to the financial industry, if enacted or adopted, could expose us to additional costs, including increased compliance costs, require higher levels of capital and liquidity, negatively impact our business practices, including the ability to offer new products and services and attract and retain new customers and business partners who may do business with us based, in whole or in part, upon our corporate and governance structure, regulatory status, asset size and other factors tied to the legal and regulatory framework governing the financial industry. The passage of ~~the~~ Dodd- Frank ~~Act in 2010~~ , and the rules and regulations emanating therefrom, have significantly changed, and will continue to change the bank regulatory structure, and affect the lending, deposit, investment and operating activities of financial institutions and their holding companies. A significant number of regulations have been promulgated to implement ~~the~~ Dodd- Frank ~~Act~~ , including, for example, the Collins Amendment and the Durbin Amendment, the latter of which exempts banks with under $ 10 billion in assets from regulated limitations on interchange fees. To maintain such exemptions, management must manage the balance sheet to remain under that limit and failure to do so could adversely impact revenues. Future changes or interpretations to these rules and other bank regulations are uncertain and could negatively impact our business, thereby increasing our operating and compliance costs and obligations, and reducing or eliminating our ability to generate profits. A ~~further~~ downgrade of the U. S. ~~government~~ credit rating could negatively impact our ~~investment portfolio and other~~ **business, results of** operations ~~. A significant amount of our investment portfolio is rated by outside ratings agencies as explicitly or implicitly backed by the United States government~~ and **financial condition** ~~certain of our loans are government guaranteed~~ . In **August** 2011, ~~the~~ **Standard & Poor' s Ratings Services lowered its long- term sovereign** credit rating ~~of~~ **on the U. S. from " AAA " to " AA " and in August 2023, Fitch Ratings downgraded the U. S.' long- term foreign- currency issuer default rating from " AAA " to " AA ". If U. S. debt ceiling, budget deficit or debt concerns, domestic or international economic or political concerns, or** ~~the~~ **other** ~~United States~~ **factors were to result in further downgrades to the U. S.** government ~~was lowered~~ **' s sovereign credit or long- term foreign- currency ratings or its perceived creditworthiness** , ~~and~~ it **could adversely affect the U. S. and global financial markets and economic conditions. A downgrade of the U. S. government' s credit rating or any failure by the U. S. government to satisfy its debt obligations could create financial turmoil and uncertainty, which could weigh heavily on the global banking system. It** is possible **that any such impact could have a material adverse** ~~it may be downgraded further, based upon rating agencies' evaluations of the~~ effect **on** ~~of increasing levels of government debt and related Congressional actions. A lowering of the United States government credit ratings may reduce the market value or~~ **our** ~~liquidity~~ **business, results** of **operations** ~~our investment~~ and **financial condition** ~~certain loan portfolios~~ . New lines of business, and new products and services may result in exposure to new risks and the value and earnings related to existing lines of business are subject to market conditions. The Bank has introduced, and in the future, may introduce new products and services to differing markets either alone or in conjunction with third parties. New lines of business, products or services could have a significant impact on the effectiveness of our system of

internal controls or the controls of third parties and could reduce our revenues and potentially generate losses. There are material inherent risks and uncertainties associated with offering new products and services, especially when new markets are not fully developed, or when the laws and regulations regarding a new product are not mature. New products and services, or entrance into new markets, may require substantial time, resources and capital, and profitability targets may not be achieved. Factors outside of our control, such as developing laws and regulations, regulatory orders, competitive product offerings and changes in commercial and consumer demand for products or services may also materially impact the successful launch and implementation of new products or services. Failure to manage these risks, or failure of any product or service offerings to be successful and profitable, could have a material adverse effect on our financial condition and results of operations. Additionally, there are uncertainties regarding the market values of existing lines of business, which are difficult to measure and are subject to market conditions which may change significantly. Significant amounts of loans are accounted for at fair ~~(~~market ~~)~~ value, and a decrease in such value would reduce income. Potential acquisitions may disrupt our business and dilute stockholder value. Acquiring other banks or businesses involves various risks including, but not limited to: ? potential exposure to unknown or contingent liabilities of the target entity; ? exposure to potential asset quality issues of the target entity; ? difficulty and expense of integrating the operations and personnel of the target entity; ? potential disruption to our business; ? potential diversion of our management' s time and attention; ? the possible loss of key employees and customers of the target entity; ? difficulty in estimating the value of the target entity; ? potential changes in banking or tax laws or regulations that may affect the target entity; and ? difficulty navigating and integrating legal, operating cultural differences between the United States and the countries of the target entity' s operations. From time to time, we evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt or equity securities may occur at any time. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and / or other projected benefits from an acquisition could have a material adverse effect on our financial condition and results of operations. ~~A~~ **Inflation could negatively and materially impact our business directly or indirectly by its impact on our borrowers. Prolonged periods of inflation may impact our profitability should higher related borrowing costs stress borrower repayment or should our non- interest expense increases not be adequately offset by revenue increases. Increases in such expenses for borrowers could also negatively and materially impact loan performance and loan demand. The loss or transition of key members of our senior management team or key staff in the Bank' s divisions, or our inability to attract and retain qualified personnel, could adversely affect our business. The universe of management and staff for certain of our niche lending and payments businesses is significantly smaller than that for most financial institutions' lines of business, while our businesses may also be more complex to manage. Our ability to retain and attract new professional management with sufficient experience and expertise, and successfully execute our succession plans can significantly impact our performance. Increased scrutiny with respect to environmental, social and governance (" ESG ") practices may impose additional costs on the Company or expose it to new risks. There is an increased focus and scrutiny from certain government regulators, investors, customers and other stakeholders on ESG practices and disclosure related to climate risk, hiring practices, the diversity of the work force and diversity, equity and inclusion. Failure to adapt to or comply with governmental requirements or meet the expectations of, investors, customers or other stakeholders could negatively impact the Company' s reputation, ability to do business with certain partners and stock price. In addition, we could be criticized for the speed, or scope, of adoption of policies and practices in response to such expectations. As a result, we could suffer negative publicity and our reputation could be adversely impacted, which in turn could have a negative impact on investor perception and customer engagement. This may also impact our ability to attract and retain talent to compete in the marketplace. In addition, we could be criticized by ESG detractors for the scope or nature of our ESG- related activities. We could also be subjected to negative responses by governmental actors (such as anti- ESG legislation or retaliatory legislative treatment) or customers (such as boycotts or negative publicity campaigns) that could adversely affect our reputation, results of operations and financial condition. Climate** change ~~in bank regulators,~~ or ~~policy~~ **government action and societal responses to climate** ~~changes~~ - **change** ~~within current regulators,~~ could **adversely affect our results of operations. Climate change can increase the likelihood of the occurrence and severity of natural disasters and can also** result in ~~modified regulatory requirements~~ **longer- term shifts in climate patterns such as extreme heat, sea level rise** and ~~expectations~~ **more frequent and prolonged drought. Such significant climate change effects may negatively impact the Company' s geographic markets, disrupting the operations of the Company, our customers or third parties on which we rely. Damages to real estate underlying mortgage loans or real estate collateral and declines in economic conditions in geographic markets in which the Company' s customers operate may impact our customers' ability to repay loans or maintain deposits due to climate change effects,** which could **increase** ~~impact all aspects of regulated financial and compliance requirements. A change in regulators or~~ **our delinquency rates and average** ~~policy changes within current regulators could result in modified regulatory requirements. These modifications could adversely impact~~ credit **loss** ~~, capital, earnings, liquidity and other operations, and should they require modifications in our lines of business, could impact profitability~~ . Risks Related to Our Specialty Lending Business Activities ~~:~~ **Changes in interest rates and loan production could reduce our income,cash flows and asset values.A significant portion of our income and cash flows depends on the difference between the interest rates we earn on interest-earning assets,such as loans and investment securities,and the interest rates we pay on interest- bearing liabilities,such as deposits and borrowings.The value of our assets,and particularly loans with fixed or capped rates of interest,may also vary with interest rate changes.We discuss the effects of interest rate changes on the market value of our portfolio and**

net interest income in Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Asset and Liability Management." Interest rates are highly sensitive to ~~many~~ factors which are beyond our control,including ~~general~~ economic conditions and policies of ~~various~~ governmental ~~and regulatory~~ agencies, ~~in particular~~ **particularly** ~~,~~ the Federal Reserve.Changes in monetary policy,including changes in interest rates,will influence ~~not only~~ the interest we receive on our loans and ~~investment~~ securities and ~~the amount of interest we~~ pay on deposits, **and** ~~but also our ability to originate loans~~ - **loan** and ~~obtain deposits~~ - **deposit growth** ~~and our costs in doing so~~ .If ~~the rate of interest we pay on our deposits~~ - **deposit rates** ~~and other borrowings increases~~ - **increase** more than ~~the rate~~ **rates** ~~of interest we earn~~ on ~~our~~ loans and **securities** ~~other investments~~ ,our net interest income ~~,and therefore our earnings,~~ could decline or we could sustain losses.Our earnings could also decline,or we could sustain losses,if the rates on our loans and **securities decrease** ~~other investments fall~~ more ~~quickly~~ than ~~those on our deposits~~ - **deposit rates** ~~and other borrowings~~ .While the Bank is generally asset sensitive,which implies that significant increases in market rates would generally increase margins,while decreases in interest rates would generally decrease margins,we cannot assure you that increases or decreases in margins will follow such a pattern in the future.Our net interest income is also determined by our level of loan production to replace loan payoffs and ~~to~~ grow our different loan portfolios.In particular,our SBLOC,non- SBA commercial loans,at fair value and real estate bridge lending portfolios have at times experienced accelerated prepayments, ~~and~~ **while** the ~~duration~~ **durations** of those portfolios at inception are relatively short and generally under three years.Loan demand ~~,~~ to replace these loans and grow portfolios ~~,~~ may vary for economic and competitive reasons and we cannot assure you that historical rates of loan growth will continue or as to other loan production.Net interest income is difficult to project,and our models for making such projections are theoretical.While they may indicate the general direction of changes in net interest income,they do not indicate actual future results. **As a result of** ~~In first quarter 2020,the~~ Federal Reserve ~~instituted emergency~~ **federal funds** rate ~~cuts,~~ **increases in 2022** and ~~additional rate cuts~~ **2023,net interest income increased significantly as a result of the Bank' s asset sensitivity.While we** may **pursue strategies** ~~still occur in response~~ to ~~economic and other conditions.Conversely,the ultimate impact of rate increases~~ - **increase fixed** ~~on loan performance,loan and deposit rates~~ - **rate** ~~cannot be accurately predicted~~ **securities purchases to decrease asset sensitivity** , ~~nor can~~ **and lower** the ~~impact of inflation.~~ **decrease in net interest income resulting from** Federal Reserve ~~actions~~ **rate decreases,there can be no assurance that these can be implemented.Additionally,to the extent that fixed rate securities purchases are funded with higher rate short- term deposits,which occurs when yield curves are inverted,net interest income** may **also** ~~decrease net interest income,to the extent the reduction is not offset with the impact of loan growth or other factors.We may~~ be ~~adversely impacted by~~ **decreased,at least in** the **short** ~~transition from London Inter~~ - ~~Bank Offered~~ **term,prior to Federal Reserve** ~~Rate~~ **rate reductions** ~~(" LIBOR ") as a reference rate~~ . ~~The administrator of LIBOR announced that it intends to phase out LIBOR by June 30,2023,and that LIBOR will be replaced with an alternative reference rate that will be calculated in a different manner.Consequently,at this time,it is not possible to predict whether,and to what extent,banks will continue to provide submissions for the calculation of LIBOR.Similarly,it is~~ We are subject to lending risks. There are risks inherent in making all loans. These risks include interest rate changes over the time period in which loans may be repaid and changes in ~~the national economy or local economies~~ **economic conditions nationwide or in the localities** in which our borrowers operate ~~. Such changes may impact the ability of our borrowers to repay their loans or the value of the collateral securing those loans. Although we have discontinued our Philadelphia- based commercial lending operations, we still hold a significant number of commercial, construction and commercial mortgage loans, some with relatively large balances. The deterioration of one or a few of these loans would cause a significant increase in non- performing loans, notwithstanding that such loans are now accounted for at fair value~~ . Weak economic conditions have caused increases in our delinquent and defaulted loans in recent years. We cannot assure you that we will not experience further increases in delinquencies and defaults, or that any such increases will not be material. On a consolidated basis, an increase in non- performing loans could result in an increase in our provision for credit losses or in loan charge- offs and consequent reductions in our earnings. **For our commercial fleet and equipment leasing business line, while we have access to underlying collateral, the value of such collateral can be impacted by many factors including age and condition, market prices and applicable economic conditions. For closed end leases, any deficiency between the residual value of the lease and net sales price results in a loss. For more information about the risks which are specific to the different types of loans we make and which could impact our allowance for credit losses, see Item 1, " Business – Lending Activities. " The success of our SBA lending program is dependent upon the continued availability of SBA loan programs, our status as a Preferred Lender under the SBA loan programs, our ability to comply with applicable SBA lending requirements and our ability to successfully manage related risks.** Our specialty lending operations are subject to additional risks including, with respect to our SBA loans, the risk that the U. S. ~~Government~~ **government** ' s partial guaranty on SBA loans is withdrawn due to noncompliance with regulations. ~~For more information about~~ **Our SBA lending program is dependent upon** the ~~risks which~~ **federal government. As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that** are ~~specific~~ **not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders** to **assess, among** ~~the~~ **other** ~~different types~~ **things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation** of ~~loans~~ **the lender' s Preferred Lender status. If** we ~~make~~ **lose our status as** ~~and~~ - **an SBA Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders,** which could ~~impact~~ **have a material adverse effect on our financial results. Also, in the event of a loss resulting from default and a determination by the SBA that there is a deficiency in the manner in which a loan was originated, funded** ~~our~~ - **or** ~~allowance~~ **serviced by us, the SBA may require us to repurchase the previously sold portion of the loan, deny its liability under the guaranty, reduce the amount of the guaranty or, if it has already paid under the guaranty, seek recovery of the principal loss related to the deficiency from us. Additionally, in order** for **a borrower to be eligible to**

receive an SBA loan, the lender must establish that the borrower would not be able to secure a bank loan without the credit **enhancements provided by a guaranty under the SBA program. Accordingly, the SBA loans in our portfolio generally have weaker credit characteristics than the rest of our portfolio, and may be at greater risk of default in the event of deterioration in economic conditions or the borrower' s financial condition. For instance, in the case of 7 (a) Program loans, if businesses to which we lend generate inadequate cash flow to repay principal and interest, and borrowers are otherwise unable to repay the loan,** losses **may result if related collateral is sold for less than the unguaranteed balance of the loan. Because these loans are generally at variable rates** , ~~see Item 1~~ **higher rate environments will increase required payments from borrowers** , ~~"~~ **with increased payment default risk. As a result of a wide variety of collateral with very specific uses, markets for resale of the collateral may be limited, which could adversely affect amounts realized upon sale and therefore our financial results. Further, any changes to the SBA program, including changes to the level of guarantee provided by the federal government on SBA loans, may also have a material adverse effect on our** ~~Business~~ **business** ~~– Lending Activities~~ . ~~"~~ **The SBA program is funded through annual appropriations approved by Congress matching funding requirements for loans approved within the budget year. Should those appropriations be reduced or cease, our ability to make SBA loans will be curtailed or terminated.** The Bank' s allowance for credit losses may not be adequate to cover actual losses. Like all financial institutions, the Bank maintains an **ACL** ~~allowance for credit losses~~ to provide for current and future expected losses inherent in its loan portfolio. At December 31, ~~2022~~ **2023** , the ratios of the **ACL** ~~allowance for credit losses~~ to total loans and to non- performing loans were, respectively, 0. ~~41~~ **51** % and ~~123~~ **206** . ~~40~~ **33** %. The Bank' s allowance for credit losses may not be adequate to cover actual loan losses and future provisions for loan losses could materially and adversely affect the Bank' s operating results. The Bank' s allowance for credit losses is determined by management after analyzing historical loan losses, current trends in delinquencies and charge- offs, plans for problem loan resolution, changes in the size and composition of the loan portfolio, industry information, economic conditions and **events and** reasonable and supportable forecasts ~~. Also included in management' s estimates for loan losses are considerations with respect to the impact of economic events, the outcome of which are uncertain~~ . The determination by management of the allowance for credit losses involves a high degree of subjectivity and requires management to estimate current and future credit risk based on both qualitative and quantitative ~~facts~~ **factors** , each of which is subject to significant change. The amount of future loan losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the Bank' s control, and these loan losses may exceed current estimates. Bank regulatory agencies, as an integral part of their examination process, review the Bank' s loans and allowance for credit losses. Although we believe that the Bank' s allowance for credit losses is appropriate and supportable in providing for current and future expected credit losses and that our methodology to determine the amount of both the allowance and provision is effective, we cannot assure you that we will not need to increase the Bank' s allowance for credit losses ~~,~~ **or** change our methodology for determining our allowance and provision for credit losses **,** or that our regulators will not require us to increase this allowance. Any of these occurrences could materially reduce our earnings and profitability and ~~could~~ result in ~~our sustaining~~ losses. For more information about risks which are specific to the different types of loans we make and which could impact the allowance for credit losses, see Item 1, " Business – Lending Activities. " Our lending limit may adversely affect our competitiveness. Our regulatory lending limit as of December 31, ~~2022~~ **2023** , to any one customer or related group of customers was $ ~~124~~ **141** . ~~4~~ **2** million ~~for unsecured loans and $ 207~~ **, computed on the basis of 15 % of capital as defined by our regulators** . ~~4 million for secured loans~~ **That limit may be increased to 25 % of regulatory defined capital, if the excess over 15 % is collateralized by marketable securities** . Our lending limit is substantially smaller than that of many financial institutions with which we compete. While we believe that our lending limit is sufficient for our targeted market of small to mid- size businesses within ~~the~~ **our** four specialty lending operations **,** ~~upon which we focus~~ as well as affinity group members, it may in the future affect our ability to attract or maintain customers or to compete with other financial institutions. Moreover, to the extent that we incur losses and do not obtain additional capital, our lending limit, which depends upon the amount of our capital, will decrease. Revised accounting standards require current recognition of credit losses over the estimated remaining lives of loans. In June 2016, the ~~Financial Accounting Standards Board ("~~ FASB ~~")~~ , issued an update to ~~Accounting Standards Update ("~~ ASU ~~" or " Update ")~~ 2016- 13 **,** ~~– "~~ Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments **, which we adopted in 2020** . ~~"~~ The ~~Update~~ **update** changes the accounting for credit losses on loans and debt securities. For loans and held- to- maturity debt securities, the ~~Update~~ **update** requires a current expected credit loss (" CECL ") approach to determine the allowance for credit losses. CECL requires loss estimates for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. Also, the ~~Update~~ **update** eliminates the existing guidance for purchased credit deteriorated loans and debt securities, but requires an allowance for purchased financial assets with more than insignificant deterioration since origination. In addition, the ~~Update~~ **update** modifies the other- than- temporary impairment model for available- for- sale debt securities to require an allowance for credit losses instead of a direct write- down, which allows for reversal of credit losses in future periods based on improvements in credit. The CECL model has and will materially impact how we determine our allowance for credit losses and may require us to significantly increase our allowance for credit losses. Furthermore, our allowance for credit losses may experience more fluctuations, some of which may be significant. If we determined that we would need to increase the allowance for credit losses to appropriately capture the credit risk that exists in our lending and investment portfolios, it may negatively impact our business, earnings, financial condition and results of operations. ~~We adopted the guidance in first quarter 2020.~~ The Bank may suffer losses in its loan portfolio despite its underwriting practices. The Bank seeks to mitigate the risks inherent in its loan portfolio by adhering to specific underwriting practices. These practices vary depending on the facts and circumstances of each loan. For **loans** other than SBLOC and IBLOC loans, these practices may include analysis of a borrower' s prior credit history, financial statements, tax returns and cash flow projections, valuation of certain types of collateral based on reports of

independent appraisers and verification of liquid assets. For SBLOC loans, a primary element of the credit decision is the market value of the borrower' s brokerage account, which is reduced by the varying collateral percentages against which we are willing to lend, resulting in excess collateral. ~~Rapid excessive movements in the market value of brokerage accounts might not be sufficiently offset by the excess collateral and losses could result.~~ For example, we typically lend against 50 % of the value of equity securities. **Rapid excessive movements in the market value of brokerage accounts may not be sufficiently offset by the excess collateral, and losses could result.** For IBLOC, the credit decision is primarily based upon the cash value of eligible life insurance policies, which may ultimately ~~be dependent~~ --- **depend** upon the insurer for repayment. Although the Bank believes that its underwriting criteria are appropriate for the various kinds of loans it makes, the Bank may incur losses on loans that meet its underwriting criteria, and these losses may exceed the amounts set aside as reserves in the Bank' s allowance for credit losses. In addition, only certain SBA loans are 75 % guaranteed by the U. S. government, and even for those, we still assume credit risk on the remaining 25 %. These borrowers, which include new start- ups, may have a higher probability of failure, which may result in higher losses on such loans. The vast majority of commercial loans, at fair value and REBL loans are variable rate and, as a result, higher market rates will result in higher payments and greater cash flow requirements, although ~~all~~ **REBL** loans **generally** require an interest rate cap to mitigate that risk. Should cash flow and available cash reserves prove inadequate to cover debt service on these loans, repayment will primarily depend upon the sponsor' s ability to service the debt, or the value of the property in disposition. Low occupancy or rental rates may negatively impact loan repayment. Because these loans were previously originated for sale, or because we may decide to sell certain REBL loans in the future, the underwriting and other criteria used were those which buyers in the capital markets indicated were most crucial when determining whether to buy the loans. Such criteria include the loan- to- value ratio and debt yield (net operating income divided by first mortgage debt). However, property values may fall below appraised values and below the outstanding balance of the loan, which could result in losses. **Risks for SBA construction loans include engineering defects, contractor risk, and risks of delays and project completions. Higher than expected construction costs may also result, impacting repayment capability and collateral values. Other real estate owned (" OREO "), which results upon foreclosure of real estate collateral for defaulted loans, may increase significantly, especially if larger REBL loans default. Maintenance expense for such properties can be significant and may not be offset by related revenues.** If **OREO or** ~~the~~ **other** ~~level of~~ non- performing assets ~~increases~~ - **increase** , interest income will be reduced. **National bank regulations permit the holding of OREO for five years, with the possibility of an additional five year holding upon regulatory approval. Depending upon market conditions at the time of sale, there can be no assurance that the carrying value will be offset by the sales price, which would result in a loss.** If we experience loan defaults in excess of amounts that we have included in our allowance for credit losses, we will have to **further** increase the provision for credit losses, which will reduce our income and might cause us to incur losses ~~. At the time loans are classified as troubled debt restructurings, losses are recognized if the fair value of collateral is less than the loan balance~~ . For more information about the risks which are specific to the different types of loans we make and which could impact loan losses, see Item 1, " Business – Lending Activities. " Environmental liability associated with lending activities could result in losses. In the course of our business, we may foreclose on and take title to properties securing our loans. If hazardous substances were discovered on any of these properties, we may be liable to governmental entities or third parties for the costs of remediation of the hazard, as well as for personal injury and property damage. Many environmental laws can impose liability regardless of whether we knew of, or were responsible for, the contamination. In addition, if we arrange for the disposal of hazardous or toxic substances at another site, we may be liable for the costs of cleaning up and removing those substances from the site, even if we neither own nor operate the disposal site. Environmental laws may require us to incur substantial expenses and may materially limit use of properties we acquire through foreclosure, reduce their value or limit our ability to sell them in the event of a default on the loans they secure. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. ~~We cannot predict whether income resulting from the reinvestment of proceeds from the loans we hold will match or exceed the income from loan dispositions. We are seeking to sell or otherwise dispose of the loans in our discontinued commercial loan operations and expect that we will obtain a significant amount of cash from these dispositions. Although we believe, based upon current market conditions, that we will be able to invest such proceeds profitably, reinvestment income is difficult to predict and depends upon a number of economic and market conditions beyond our control, including interest rates and the availability of suitable investments. We cannot assure you that we will be able to generate the same level of income from the reinvested proceeds as we generated from the loan portfolio being sold, or that suitable investments will be available to us. If not, our revenues and net income could be reduced materially.~~ A prolonged U. S. government shutdown or default by the **United States** ~~U. S.~~ on government obligations could harm our results of operations. Our results of operations, including revenue, non- interest income, expenses and net interest income, could be adversely affected in the event of widespread financial and business disruption due to a default by the United States on U. S. government obligations or a prolonged failure to maintain significant U. S. government operations, particularly those pertaining to the SBA. Any such failure to maintain such U. S. government operations would impede our ability to originate SBA loans and our ability to sell such loans **, which** ~~. Changes in interest rates and loan production~~ could ~~reduce our income, cash flows and asset values. A significant portion of our income and cash flows depends on the difference between the interest rates we earn on interest- earning assets, such as loans and investment securities, and the interest rates we pay on interest- bearing liabilities such as deposits and borrowings. The value of our assets, and particularly loans with fixed or capped rates of interest, may also vary with interest rate changes. We discuss the effects of interest rate changes on the market value of our portfolio and net interest income~~ in **turn** " Management' s Discussion and Analysis...... this transition process with our customers could adversely impact our ~~reputation. We continue to assess the potential impact of the phase- out of LIBOR and related accounting guidance; however, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and~~ results of operations. Risks Relating to Our Payments Business

Activities ~~:~~ Regulatory and legal requirements applicable to the prepaid and debit card industry are unique and frequently changing. Achieving and maintaining compliance with frequently changing legal and regulatory requirements **applicable to prepaid and debit card products** requires a significant investment in qualified personnel, hardware, software and other technology platforms, external legal counsel and consultants and other infrastructure components. These investments may not ensure compliance or otherwise mitigate risks involved in this business. Our failure to satisfy regulatory mandates applicable to prepaid financial products could result in actions against us by our regulators, legal proceedings being instituted against us by consumers, ~~or other losses,~~ each of which could reduce our earnings or result in losses, make it more difficult to conduct our operations, or prohibit us from conducting specific operations. Other risks related to prepaid cards include competition for prepaid, debit and other payment mediums, possible changes in the rules of networks, such as Visa and ~~MasterCard~~ **Mastercard** and others, in which the Bank operates **, changes in network fees or interchange rates** and state regulations related to prepaid cards **,** including **those regarding** escheatment **. The enactment of Dodd- Frank required the Federal Reserve Board to implement regulations that have substantially limited interchange fees for many issuers. While interchange rates are exempt from the limitations imposed by Dodd- Frank for institutions with less than $ 10 billion in assets such as ourselves, new legislation could result in changes to the rates we are able to charge. There can be no assurance that such possible future legislation or changes by the payment networks will not substantially impact our revenues. Changes in rules or standards set by the payment networks, or changes in debit network fees or products or interchange rates, could adversely affect our business, financial position and results of operations. We are subject to network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for acts or omissions by us or businesses that work with us, including card processors and Fintech Program Managers. Furthermore, a substantial portion of our operating revenues is derived directly or indirectly from interchange fees. The amount of prepaid, debit card and related fees that we earn is highly dependent on the interchange rates that the payment networks set and adjust from time to time. The enactment of Dodd- Frank required the Federal Reserve Board to implement regulations that have substantially limited interchange fees for many issuers. While the interchange rates that may be earned by us are exempt from the limitations imposed by Dodd- Frank, federal legislators and regulatory authorities have become increasingly focused on interchange, and continue to propose new legislation that could result in significant adverse changes to the rates we are able to charge and there can be no assurance that future regulation or changes by the payment networks will not substantially impact our interchange revenues. If interchange rates decline, whether due to actions by the payment networks or future regulation, we would likely need to change our fee structure to offset the loss of interchange revenues. However, our ability to make these changes is limited by the terms of our contracts and other commercial factors, such as price competition. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention, and we could suffer reputational damage and become subject to greater regulatory scrutiny. We also might have to discontinue certain products or services. As a result, our total operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected** . The potential for fraud in the card payment industry is significant **and could adversely affect our business and results of operations** . Issuers of prepaid and debit cards and other companies have suffered significant losses in recent years with respect to the theft of cardholder data that has been illegally exploited for personal gain. The theft of such information is regularly reported and affects individuals and businesses. Losses from various types of fraud have been substantial for certain card industry participants. **We also rely upon third parties for transaction processing services, which subjects us and our customers to risks related to the vulnerabilities of those third parties.** The Bank in many cases has indemnification agreements with third parties; however, such indemnifications may not fully cover losses. **Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines, which could adversely affect our business, results of operations and financial condition.** Although fraud has not had a material impact on the profitability of the Bank, it is possible that such activity could **adversely** impact the Bank in the future. There is a significant concentration in prepaid and debit card fee income which is subject to various risks. A significant portion of our revenues are derived from prepaid, debit card and other related products **, and prepaid and debit card account deposits also comprise the majority of the Bank' s deposits** . Actions by government agencies relating to service charges, or increased regulatory compliance costs, could result in reductions in income which may not be offset by reductions in expense. Moreover, markets for fintech financial products and the related services from which we derive significant fees, are rapidly evolving. Our product mix includes prepaid card accounts for salary, medical spending, commercial, general purpose reloadable, corporate and other incentive, gift, government payments and transaction accounts accessed by debit cards. Our revenues could be impacted by the evolution of fintech products or changes within these product mixes. Related changes in volume including changes in client mix, or in pricing, can also result in variability of revenue between periods. Additionally, certain of our clients have significant volume, the loss of which would materially affect our revenues. In ~~full year 2022~~ **2023** , the top five largest contributors to prepaid, debit card and related fees, comprised approximately ~~57~~ **54** % of such income. Additionally, prepaid and debit card fee income may be subject to quarterly and longer term variances resulting from seasonality, changes in fee structures, product mix and other factors, which also make projecting income trends difficult ~~. Prepaid and debit card account deposits also comprise the majority of the Bank' s deposits~~ . If our prepaid and debit card and other deposit accounts generated by third parties were no longer classified as non- brokered, our FDIC insurance expense might increase. In December 2014, the FDIC issued ~~new~~ guidance classifying prepaid deposit accounts and other deposit accounts obtained in cooperation with third parties as brokered, resulting in the vast majority of the Bank' s deposits being classified as brokered. ~~We do not believe that these deposits are subject to the volatility risks associated with brokered wholesale deposits or brokered certificates of deposit.~~ However, **in** ~~if the Bank ceases to be categorized as " well-capitalized " under banking regulations, it will be prohibited from accepting, renewing or rolling over brokered deposits without the consent of the FDIC. In~~

~~such a case, the FDIC' s refusal to grant consent to our accepting, renewing or rolling over brokered deposits could effectively restrict or eliminate the ability of the Bank to operate its business lines as presently conducted. In~~ December 2020, the FDIC adopted a regulation which resulted in the reclassification of ~~certain~~ **the majority** of ~~our~~ **the Bank' s** deposits ~~as~~ **from brokered to** non- brokered beginning June 30, 2021, and a decrease in FDIC insurance expense. Such reclassifications and the resulting FDIC insurance expense decrease are dependent upon ongoing consideration by regulators, ~~and may~~ **including recertification requirements for certain accounts. Should the Bank' s capital ratios fall below well- capitalized levels, it would** be ~~modified in~~ **prohibited from accepting, renewing or rolling over brokered deposits without** the ~~future~~ **consent of the FDIC. Without such consent, the Bank could not operate its business lines as presently conducted** . We may depend in part upon wholesale and brokered certificates of deposit to satisfy funding needs. We may rely, in part, on funds provided by wholesale deposits and brokered certificates of deposit to support the growth of our loan portfolio. Wholesale and brokered certificates of deposit are highly sensitive to changes in interest rates and, accordingly, can be a more volatile source of funding. Use of wholesale and brokered deposits involves the risk that growth supported by such deposits would be halted, or the Bank' s total assets could contract, if the rates offered by the Bank were less than those offered by other institutions seeking such deposits, or if the depositors were to perceive a decline in the Bank' s safety and soundness, or both. In addition, if we were unable to match the maturities of the interest rates we pay for wholesale and brokered certificates of deposit to the maturities of the loans we make using those funds, increases in the interest rates we pay for such funds could decrease our consolidated net interest income. Moreover, if the Bank ceases to be categorized as " well capitalized " under banking regulations, it will be prohibited from accepting, renewing or rolling over brokered deposits without the consent of the FDIC. We derive a significant percentage of our deposits, total assets and income from deposit accounts generated by diverse independent companies, including those which provide card account marketing services, and investment advisory firms. ~~Deposit~~ **Our funding is comprised primarily of millions of small transaction- based consumer balances, the vast majority of which are FDIC- insured. We have multi- year, contractual relationships with affinity groups which sponsor such** accounts ~~resulting from~~ **and with whom we have had long- term relationships (see Item 1, " Business — Our Strategies "). Those long- term relationships comprise the majority of our deposits while we continue to grow and add new client relationships. Of our deposits at year- end 2023, the top three affinity groups accounted for approximately $ 2. 33 billion, the next three largest accounted for $ 1. 46 billion, and the** ~~our~~ **four subsequent largest accounted for $ 852. 1 million. Of our deposits at year- end 2022, the top three affinity groups accounted for approximately $ 2. 41 billion, the next three largest accounted for $ 1. 20 billion, and the four subsequent largest accounted for $ 822. 9 million. While certain of these relationships may have changed their ranking in the top ten of the affinity groups with which we have contractual relationships, the affinity groups themselves were identical in both years. We believe that payroll, debit, and government- based accounts such as child support are comparable to traditional consumer checking accounts. Such balances in the** top ten relationships **at year- end 2023** totaled $ ~~4~~ **2** . ~~44~~ **91** billion **while balances related to consumer and business payment companies, including companies sponsoring incentive and gift card payments, amounted to $ 1. 72 billion. Such balances in the top ten relationships** at ~~December 31,~~ **year- end** 2022 **totaled $ 3. 08 billion while balances related to payment companies, including companies sponsoring incentive and gift card payments, amounted to $ 1. 35 billion** . We ~~provide oversight over~~ **do not believe that the changes between** these **periods significantly impacted overall liquidity or cost of funds as a result of long- term** relationships **and a history of stability of small balance accounts** which ~~must meet all internal and regulatory requirements~~ **is further managed through multi- year contracts** . We may exit relationships where ~~such~~ **our internal** requirements are not met or be required by our regulators to exit such relationships. Also, an affinity group could terminate a relationship with us for many reasons, including being able to obtain better terms from another provider or dissatisfaction with the level or quality of our services. In 2021 **and 2023** , ~~one~~ **for instance, two** of our **affinity group** clients transferred ~~its~~ **their** operations to ~~its own~~ **their newly chartered** ~~bank~~ **banks** ~~which resulted in the exit of certain deposits and a related reduction in fee income, and one of our newest clients has obtained its own bank charter, which will impact future fee growth~~ . In ~~full year 2022~~ **2023** , the top five largest contributors to prepaid, debit card and related fees ~~,~~ comprised approximately ~~57~~ **54** % of such income. If other affinity group relationships were to be terminated in the future, it could materially reduce our deposits, assets and income. We cannot assure you that we could replace such ~~relationship~~ **relationships** . If we cannot replace such ~~relationship~~ **relationships** , we may be required to seek higher rate funding sources as compared to ~~the~~ **any** exiting affinity group and interest expense might increase. We may also be required to sell securities or other assets to meet funding needs, which would reduce revenues or potentially generate losses. We face fund transfer and payments- related ~~reputational~~ risks. **As a** ~~Financial~~ **financial** ~~institutions~~ **institution** , **we** ~~including ourselves,~~ bear fund transfer risks of different types, which result from large transaction volumes and large dollar amounts of incoming and outgoing money transfers. Loss exposure may result if money is transferred from the bank before it is received, or legal rights to reclaim monies transferred are asserted, including payments made to merchants for payment clearing, while customers have statutory periods to reverse their payments. ~~It~~ **Exposure** also results from payments made prior to receipt of offsetting funds, as accommodations to customers. We are subject to unique settlement risks as our transfers may be larger than typical financial institutions of our size. Transfers could also be made in error ~~,~~ or as a result of fraud. Additionally, as with other financial institutions, we may incur legal liability or reputational risk, if we unknowingly process payments for companies in violation of money laundering laws or other regulations or immoral activities. Unclaimed funds from deposit accounts or represented by unused value on prepaid cards present compliance and other risks. Unclaimed funds held in deposit accounts or represented by unused balances on prepaid cards may be subject to state escheatment laws where the Bank is the actual holder of the funds and when, after a period of time as set forth in applicable state law, the rightful owner of the funds cannot be readily located and / or identified. The Bank implements controls to comply with state unclaimed property laws and regulations, however these laws and regulations are often open to interpretation, particularly when being applied to unused balances on prepaid card products. State regulators may choose to initiate collection or other litigation action

against the Bank for unreported abandoned property, and such actions may seek to assess fines and penalties. Risks Relating to Taxes and ~~Accounting~~ **AccountingWe** ~~: We~~ are subject to tax audits, and challenges to our tax positions or adverse changes or interpretations of tax laws could result in tax liability. We are subject to federal and applicable state income tax laws and regulations and related audits **, and when tax matters arise, a number of years may elapse before such matters are audited and finally resolved** . We are also periodically subject to state ~~escheat~~ **escheatment** audits. Income tax and ~~escheat~~ **escheatment** laws and regulations are often complex and require significant judgment in determining our effective tax rate and in evaluating our tax positions. Challenges of such determinations **or legislative changes in applicable laws** may adversely affect our effective tax rate, tax payments or financial condition. The appraised fair value of the assets from our commercial loans, at fair value or collateral from other loan categories may be more than the amounts received upon sale or other disposition. Various internal and external inputs were utilized to analyze the commercial loans, at fair value portfolio and other loan categories. Actual sales prices could be significantly less than estimates, which could materially affect our results of operations in future quarters. A failure to implement and maintain effective internal control over financial reporting could result in material misstatements in our financial statements which could require us to restate financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on our stock price. Any failure to maintain or implement required new or improved internal and disclosure controls over financial reporting, or any difficulties we encounter in their implementation, could result in material weaknesses, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting required under Section 404 of the Sarbanes- Oxley Act of 2002 **(" Section 404 ")** and the rules promulgated under Section 404. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to meet our reporting obligations and cause investors or customers to lose confidence in our reported financial information, leading to a decline in our stock price or a loss of business, and could result in stockholder actions against us for damages. Risks Related to Ownership of Our Common Stock ~~:~~ The **price of** ~~trading volume in~~ our common stock ~~is less than that of many~~ - **may decline** ~~financial services companies, which may reduce the price at which our~~ - **or** ~~common stock would~~ otherwise ~~trade~~ **become volatile** . Although our common stock is traded on ~~The NASDAQ~~ **the Nasdaq** Global Select Market, ~~the~~ **its** trading volume is less than that of many financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time **, which relies** ~~. This presence depends~~ on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause our stock price to fall. ~~An investment in our common stock is not an insured deposit. Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described in this " Risk Factors " section and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you may lose some or all of your investment. Our ability to issue additional~~ **Additionally** ~~shares of our common stock~~ , **we** ~~or the issuance of such additional shares, may reduce the price at which our common stock trades. We~~ cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the ~~market~~ price ~~per share~~ of our common stock. We are not restricted from issuing additional shares of common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive shares of ~~common stock. Sales of a substantial number of shares of our common stock in the public market or the perception that such sales might occur could materially adversely affect the market price of the shares of our~~ common stock. The exercise of any options granted to directors, executive officers and other employees under our stock compensation plans, the vesting of restricted stock grants, the issuance of shares of common stock in acquisitions and other issuances of our common stock could also have an adverse effect on the market price of the shares of our common stock. The existence of options, or shares of our common stock reserved for issuance as restricted shares of our common stock may materially adversely affect the terms upon which we may be able to obtain additional capital in the future through the sale of equity securities. **An investment in our common stock is not an insured deposit. Our common stock is not a savings or deposit account or other obligation of any bank and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky and is subject to the same market forces that affect the price of common stock of any company. As a result, if you acquire our common stock, you may lose some or all of your investment.** Future offerings of debt, which would be senior to our common stock upon liquidation, and / or preferred equity securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may reduce the market price at which our common stock trades. In the future, we may attempt to increase our capital resources or, if the Bank' s capital ratios fall below the required minimums, we could be forced to raise additional capital by ~~making~~ **conducting** additional offerings of debt or preferred equity securities, including medium- term notes, senior or subordinated notes or preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. The Bank' s ability to pay dividends is subject to regulatory limitations which, to the extent we require such dividends in the future, may affect our ability to pay our obligations and pay dividends. ~~We~~ **As a holding company, we** are a separate legal entity from the Bank and our other subsidiaries, and we do not have significant operations of our own. We have historically depended on the Bank' s cash and liquidity, as well as dividends, to pay our operating expenses. Various federal ~~and state statutory~~ provisions limit the amount of dividends that subsidiary banks can pay to their holding companies without regulatory approval. **Without** ~~The Bank is also subject to limitations under state law regarding~~ the ~~payment~~ **prior approval** of

the OCC, a dividends - dividend , including the requirement that dividends may not be paid only out if the total of all dividends declared by a bank in any calendar year is in excess of the current year' s net profits income combined with the retained net income of the two preceding years. Additionally, a dividend may not be paid in excess of a bank' s retained earnings . In addition to these explicit limitations, it is possible, depending upon the financial condition of the Bank and other factors, that federal and state regulatory agencies could take the position that payment of dividends by the Bank would constitute an unsafe or unsound banking practice and may ; , therefore, seek to prevent the Bank from paying such dividends. Although we believe we have sufficient existing liquidity for our needs for the foreseeable future, there is risk that , we may not be able to service our obligations as they become due or to pay dividends on our common stock or trust preferred security obligations. Even if the Bank has the capacity to pay dividends, it is not obligated to pay the dividends . Its , and its Board of Directors may determine, as it did has in the past, to retain some or all of its earnings to support or increase its capital base. Anti-takeover provisions of our certificate of incorporation, bylaws and Delaware law may make it more difficult for holders of our common stock to receive a change in control premium. Certain provisions of our certificate of incorporation and bylaws could make a merger, tender offer or proxy contest more difficult, even if such events were perceived by many of our stockholders as beneficial to their interests. These provisions include, in particular, our ability to issue shares of our common stock and preferred stock with such provisions as our board Board of directors may approve without further shareholder approval. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law which, in general, prevents an interested stockholder, defined generally as a person owning 15 % or more of a corporation' s outstanding voting stock, from engaging in a business combination with our company for three years following the date that person became an interested stockholder unless certain specified conditions are satisfied. Our Amended and Restated Bylaws provide that certain courts in General Risks: Severe weather, natural disasters, acts of war or terrorism or other - - the State of Delaware adverse external events could harm our - or business. Severe weather, natural disasters, acts of war or terrorism and other - - the federal district courts adverse external events could have a significant impact on our ability to conduct business. The nature and level of the United States will severe weather and / or natural disasters cannot be predicted and may be exacerbated by global climate change. Severe weather and natural disasters could harm our operations through interference with communications, including the interruption sole and exclusive forum or for loss of substantially all disputes between us and our stockholders computer systems , which could prevent limit or our impede stockholders' ability to obtain a favorable judicial forum for disputes with us from gathering deposits or our directors , officers originating loans , or employees. Our Amended and Restated Bylaws provide that, unless we consent in writing to the selection of and - an alternative forum, the Court of Chancery located within the State of Delaware will be the sole and exclusive forum for any derivative action or processing proceeding and controlling brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, the other flow of business employee or stockholder to us or our stockholders , any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware, our certificate of incorporation or our bylaws (as well either may be amended or restated) or as through to which the destruction General Corporation Law of facilities and the State of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware, our - or operational, financial and management information systems any action asserting a claim governed by the internal affairs doctrine of the law of the State of Delaware . Additionally However , if the Court of Chancery within the State of Delaware lacks jurisdiction over such action, the action may be brought in the United States remains District Court for the District of Delaware. Additionally, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a target for potential acts of war or terrorism. Such severe weather, natural disasters, acts of war or terrorism or other adverse external events could negatively impact our business operations or the stability of our deposit base, cause significant property damage, adversely impact the values of action arising under collateral securing our loans and / or interrupt our borrowers' abilities to conduct their - - the business in a manner to support Securities Act of 1933, as amended (their - - the " Securities Act "). The exclusive forum debt obligations, which could result in losses and increased provisions for credit losses. There is no assurance that our business continuity and disaster recovery program can adequately mitigate the risks of such business disruptions and interruptions. Pandemic events could have a material adverse effect on our operations and our financial condition. The outbreak of disease on a national or global level, such as the spread of the COVID-19 pandemic, could have a material adverse effect on commerce, which may, in turn impact our lines of business. Such an event may also impact our ability to manage those portions of our business or operations which rely on vendors and suppliers from other countries or regions impacted by such a pandemic event. Item 1B. Unresolved Staff Comments. None. Item 2. Properties. An executive office and an operations facility are located at 409 Silverside Road, Wilmington, Delaware. We maintain business development and administrative offices for SBL in Morrisville, North Carolina, Memphis, Tennessee, and Westmont, Illinois (suburban Chicago), primarily for SBA lending. Leasing offices are located in Crofton, Maryland, Kent, Washington, Logan, Utah, Orlando, Florida, Raritan, New Jersey and Norristown, Pennsylvania. We maintain a loan operations office in New York, New York. Prepaid and debit card offices and other executive offices are located in Sioux Falls, South Dakota. Locations and certain additional information regarding our offices and other material properties at December 31, 2022 are listed below. We own a property in Orlando, Florida which houses our leasing operations, consisting of a stand- alone building of 8, 850 square feet. A summary of significant properties is as follows. We have executed a lease to relocate the Sioux Falls office in 2023, which coincides with the time period at which the current lease expires as listed below. The new space will also be located in Sioux Falls, and is currently planned to occupy approximately 52, 000 square feet with a minimum term of 10 years. Location Expiration Square Feet Monthly Rent Bank Owned Property Orlando, Florida 8, 850 Leased Space Crofton, Maryland 2025 3, 364 $ 4, 545 Kent, Washington 2023 1, 700 2, 786 Logan, Utah 2023 3, 000 1, 553 Memphis, Tennessee 2025 1, 128 1, 857 Morrisville, North Carolina 2024 3, 590 5, 873 New York, New York (one of three properties is subleased) 2023- 2025 12, 459

37 ~~, 711 Norristown, Pennsylvania 2025 5, 920 10, 500 Raritan, New Jersey 2023 2, 145 3, 933 Sioux Falls, South Dakota 2023 38, 611 54, 674 Westmont, Illinois 2026 3, 003 2, 731 Wilmington, Delaware 2025 70, 968 155, 476 We believe that our offices are suitable and adequate for our operations. Item 3. Legal Proceedings. On June 12, 2019, the Bank was served with a qui tam lawsuit filed in the Superior Court of the State of Delaware, New Castle County. The Delaware Department of Justice intervened in the litigation. The case is titled The State of Delaware, Plaintiff, Ex rel. Russell S. Rogers, Plaintiff- Relator, v. The Bancorp Bank, Interactive Communications International, Inc., and InComm Financial Services, Inc., Defendants. The lawsuit alleges that the defendants violated the Delaware False Claims Act by not paying balances on certain open- loop " Vanilla " prepaid cards to the State of Delaware as unclaimed property. The complaint seeks actual and treble damages, statutory penalties, and attorneys' fees. The Bank has filed an answer denying the allegations and continues to vigorously defend against the claims. The Bank and other defendants previously filed a motion to dismiss the action, but the motion was denied~~