

## Risk Factors Comparison 2025-03-03 to 2024-02-29 Form: 10-K

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

Risks 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. [?] [?] Recent developments in the banking industry related to specific problem banks could have a negative impact on the industry as a whole and may negatively impact stock prices and result in additional regulations that could increase our expenses and otherwise affect our operations. [?] We cannot assure you that we will be able to accomplish our strategic goals as necessary to meet our financial targets. [?] We may have difficulty managing our growth which may divert resources and limit our ability to expand our operations successfully. [?] Risk management processes and strategies must be effective, and concentration of risk increases the potential for losses. [?] We operate in highly competitive markets, and our affinity group marketing strategy has been adopted by other institutions with which we compete. [?] 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. [?] Our operations may be interrupted if our network or computer systems, or those of our third- party service providers, fail. [?] We face cybersecurity risks, which could result in a loss of customers, cause disclosure of confidential information, adversely affect our operations, cause reputational damage and create significant legal and financial exposure. [?] Failure to comply with personal data protection and privacy laws can adversely affect our business. [?] We and the Bank are subject to and may be affected by extensive government regulation. [?] Any additional future FDIC insurance premium increases will adversely affect our earnings. [?] We are subject to extensive government supervision with respect to our compliance with numerous laws and regulations. [?] Our reputation and business could be damaged by our entry into any future enforcement matters with our regulators and other negative publicity. [?] We are subject to risks associated with the third parties to whom we outsource many essential services, including risks related to our agreements and oversight of their activities. [?] Legislative and regulatory actions taken now or in the future, **including as a result of the new U. S. administration,** may increase our operating costs and impact our business, governance structure, financial condition or results of operations. [?] A downgrade of the U. S. credit rating could negatively impact our business, results of operations and financial condition. [?] 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. [?] Potential acquisitions may disrupt our business and dilute stockholder value. [?] Inflation could negatively and materially impact our business directly or indirectly by its impact on our borrowers. [?] 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. [?] Increased scrutiny with respect to environmental, social and governance (“ ESG ”) practices may impose additional costs on the Company or expose it to new risks. [?] Climate change or government action and societal responses to climate change could adversely affect our results of operations.

Risks Related to Our Specialty Lending Business Activities [?] Changes in interest rates and loan production could reduce our income, cash flows and asset values. [?] We are subject to lending risks. [?] 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. [?] The Bank' s allowance for credit losses may not be adequate to cover actual losses. [?] Our lending limit may adversely affect our competitiveness. [?] Revised accounting standards require current recognition of credit losses over the estimated remaining lives of loans. [?] The Bank may suffer losses in its loan portfolio despite its underwriting practices. [?] Environmental liability associated with lending activities could result in losses. [?] A prolonged U. S. government shutdown or default by the United States on government obligations could harm our results of operations. [?] **Agreements between the Bank and third parties to market and service Bank-originated consumer loans may subject the Bank to credit, fraud and other risks, as well as claims from regulatory agencies and third parties that, if successful, could negatively impact the Bank' s current and future business. [?] We have entered into agreements with third party marketers and servicers for consumer fintech loans which we have begun originating, and which present credit and other risks.**

Risks Relating to Our Payments Business Activities [?] Regulatory and legal requirements applicable to the prepaid and debit card industry are unique and frequently changing. [?] 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. The potential for fraud in the card payment industry is significant and could adversely affect our business and results of operations. [?] There is a significant concentration in prepaid and debit card fee income which is subject to various risks. [?] 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. [?] We may depend in part upon wholesale and brokered certificates of deposit to satisfy funding needs. [?] 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. [?] We face fund transfer and payments- related risks. [?] Unclaimed funds from deposit accounts or represented by unused value on prepaid cards present compliance and other risks.

Risks Relating to Taxes and Accounting [?] 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. [?] 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. [?] 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. Risks Related to Ownership of Our Common Stock [?] The price of our common stock may decline or otherwise become volatile. [?] An investment in our common stock is not an insured deposit. [?] 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. [?] 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. [?] 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. [?] Our Amended and Restated Bylaws provide that certain courts in the State of Delaware or the federal district courts of the United States will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees. General Risks [?] **Stimulus programs may result in potential liability or losses.** [?] Severe weather, natural disasters, geopolitical events, public health crises, **trade disputes**, acts of war or terrorism or other adverse external events could harm our business. Investing in our common stock involves risk. The following risk factors should be read carefully in connection with evaluating our business and the forward- looking statements contained in this Annual Report on Form 10- K. Any of these risk factors could lead to material adverse effects on our business, operating results and financial condition. Additional risks and uncertainties not currently known to us or that we currently do not view as material may also become materially adverse our business in future periods or if circumstances change. Risks 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 periods, the U. S. economy has been subject to low rates of growth in general and, in particular localities, recession- like conditions have occurred. As a result, the financial system in the United States, including credit markets and markets for real estate and real- estate related assets, has 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. Weak economic conditions can also impact consumer spending and related fees in our payments businesses. A continuation of weak economic conditions could further harm our financial condition and results of operations. Recent developments in the banking industry related to specific problem banks could have a negative impact on the industry as a whole and may negatively impact stock prices and result in additional regulations that could increase our expenses and otherwise affect our operations. Recent high- profile bank failures have generated market volatility among publicly traded bank holding companies, unrelated to the Company, and industry commentary through social media and other outlets has negatively impacted confidence in depository institutions and created uncertainty with respect to the health of the U. S. banking system. If such levels of financial market volatility continue, or if rumored or actual events occur which further erode the actual or perceived stability of the banking system and financial markets, this could trigger additional regulatory scrutiny, increased FDIC insurance premiums or assessments, and new or amended regulations which may adversely affect the Company. While the underlying causes of these recent market events are not apparent within the Company or the Bank, these recent events and regulatory agency responses, including increased FDIC insurance premiums or assessments, could have a material impact on our business. We cannot assure you that we will be able to accomplish our strategic goals as necessary to meet our financial targets. Our future earnings will reflect our level of success in replacing and growing both our loans and deposits at targeted rates and yields, and the payments transactions from which we derive fee income. Our businesses differ from most banks in the nature of both our lending niches and our payments businesses, and changes in loan acquisition and repayment speeds. Loan, deposit and transaction growth rates and financial targets may also be impacted by other strategic goals and key considerations. Our key considerations for growth include whether we will be able to manage credit risk to desired levels, improve our net interest margin and monitor interest rate sensitivity, manage our real estate exposure to capital levels and maintain flexibility if we achieve asset growth. Our strategic goals which will also impact our ability to meet our performance goals also include maintaining a scalable infrastructure, continuing technology innovations, maintaining our compliance and risk function; non- interest expense management and others. There can be no assurance that we will maintain or increase loan and deposit balances or payment transactions at the required yields or volumes, or succeed in achieving these key considerations or other strategic goals, 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 on our continued ability to grow; however, we may not be able to sustain our historical growth rate or be able to grow. Our future success will depend on the ability of our officers and key employees to continue to implement and improve our operational, financial and management controls, reporting systems and procedures and manage a growing number of customer relationships. We may not implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls. Consequently, any future growth may place a strain on our administrative and operational infrastructure. Any such strain could increase our costs, reduce or eliminate our profitability and reduce the price at which our common stock trades. 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. However, our risk management measures may not be fully effective in identifying and mitigating risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated, even if the frameworks for assessing risk are properly designed and implemented. Some of our methods of managing risk are based upon the use of observed historical market behavior and management's judgment. These methods may not accurately predict future exposures, which could be significantly greater than historical measures indicate. 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, and our affinity group marketing strategy has been adopted by other institutions with which we compete. 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, money market mutual funds and card issuers, online lenders, financial technology companies and other non-traditional competitors. 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 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 result, those competitors may be able to access funding and provide various services more easily or at less cost than we can. 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, computer hacking or similar 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 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. If we face system interruptions or failures, 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 cybersecurity risks, which could result in a loss of customers, cause disclosure of confidential information, adversely affect our operations, cause reputational damage 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, as well as those of 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 our

systems or the systems of third parties that could result in the 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 protective measures or to investigate and remediate any information security vulnerabilities or incidents. 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. A successful penetration or circumvention of system security could cause serious negative consequences, including deterrence of potential customers or loss of existing customers, 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 breach could also result in 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 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 and the Bank are subject to and may be affected by extensive government regulation. We are subject to extensive federal and state regulation and supervision, which has increased in recent years as a result of stress to the financial system. Our subsidiary, the Bank, is a national bank that is also 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. Banking regulations are primarily intended to protect customers, depositors' funds, the federal deposit insurance funds and the banking system as a whole, rather than our 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. For example, under capital adequacy guidelines and the regulatory framework for prompt corrective action, we and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off- balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification of us and the Bank are also subject to qualitative judgments by regulators about components, risk weightings and other factors. Moreover, capital requirements may be modified based upon regulatory rules or by regulatory discretion at any time due to a variety of factors, including deterioration in asset quality. A failure by either the Bank or us to meet regulatory capital requirements will result in the imposition of limitations on our operations and could, if capital levels drop significantly, result in our being required to cease operations. Regulatory capital requirements must also be satisfied such that mandated capital ratios are maintained as the Bank grows, or growth may be required to be curtailed. Moreover, a failure by either the Bank or us to comply with regulatory requirements regarding lending practices, investment practices, customer relationships, anti- money laundering detection and prevention, and other operational practices, as discussed further under Item 1, " Business – Regulation Under Banking Law, " could result in regulatory sanctions and possibly third- party liabilities. Additionally, failure to maintain a satisfactory CRA rating may result in business restrictions. Until September 15, 2022, the Bank operated its CRA program under an FDIC- approved CRA strategic plan and was assigned an " Outstanding " CRA rating. The Bank began operating under an OCC- approved strategic plan effective January 1, 2023 **and the Bank was assigned a " Satisfactory " CRA rating in its most recent CRA performance evaluation, which was completed in February 2023**. The Bank continues to closely monitor its performance in alignment with its CRA strategic plan to meet the specified lending, service and investment requirements contained therein. There can be no assurance that we will maintain a satisfactory rating, and if not maintained, the Bank would be subject to certain business restrictions as required by the CRA and FDIC regulations. The legal and regulatory landscape is frequently changing as Congress and regulatory agencies 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. For example, the Bank pays assessment fees both to the OCC and the FDIC, and the level of such assessments reflects the condition of the Bank. If the condition of the Bank were to deteriorate, the level of such assessments could increase significantly, having a material adverse effect on the Company' s financial condition and results of operations. Additionally, any change in regulators or policy changes within current regulators could result in modified regulatory requirements, which could adversely impact credit, capital, earnings, liquidity and other operations, and should they require modifications in our lines of business, could impact profitability. Any additional future FDIC insurance premium increases will adversely affect our earnings. The DIF maintained by the FDIC to resolve bank failures is funded by fees assessed on insured depository institutions. Any further assessments or special assessments that the FDIC levies will be recorded as an expense during the appropriate period and will decrease our earnings. The deposit insurance assessment base is set as average consolidated total assets minus average tangible equity, and the rate applied against that base reflects factors including loan performance, capital levels and supervisory examination classification. with increased rates for

brokered deposits. ~~For full year 2023, the FDIC increased the initial base deposit insurance assessment rate schedules applicable to all insured depository institutions by 2 basis points.~~ Changes in the aforementioned factors or further increases in assessment rates will adversely affect our earnings. We are subject to extensive government supervision with respect to our compliance with numerous laws and regulations. We have policies and procedures designed to prevent violations of the extensive federal and state laws and regulations that we are subject to, however there can be no assurance that such violations will not occur. Failure to comply with these statutes, regulations or policies could result in a determination of an apparent violation of law, and could trigger formal or informal enforcement actions or other sanctions against us or the Bank by regulatory agencies, including entering into consent orders or other agreements, assessment of civil money penalties, criminal penalties, reputational damage, and a downgrade in the Company's ratings or the Bank's ratings for capital adequacy, asset quality, management, earnings, liquidity and market sensitivity, any of which alone or in combination could have a material adverse effect on our financial condition and results of operations. Further, we are at risk of the imposition of additional civil money penalties by our regulators, based on, among other things, repeat violations, or supervisory determinations of non-compliance with any consent order. Depending on 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 subject to risks associated with the third parties to whom we outsource many essential services, including risks related to our agreements and oversight of their activities. We obtain essential technological, marketing and customer services support for our systems from third-party providers. For example, we outsource our check processing, check imaging, transaction processing, electronic bill payment, statement rendering, and other services to third-party vendors. 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 with such third parties may also indirectly subject us to credit risk, fraud and other risks, 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. 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 would likely result in increased non-interest expense. Legislative and regulatory actions taken now or in the future, **including as a result of the new U. S. administration,** 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 Dodd-Frank, 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 Dodd-Frank, 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 downgrade of the U. S. credit rating could negatively impact our business, results of operations and financial condition. In August 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating 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 other factors were to result in further downgrades to the U. S. government's sovereign credit or long-term foreign-currency ratings or its perceived creditworthiness, 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 effect on our business, results of operations and financial condition. 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. 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.

**"Anti-ESG" sentiment has gained momentum across the U. S., with a growing number of states, federal agencies, the executive branch and Congress having enacted, proposed or indicated an intent to pursue "anti-ESG" policies, legislation or issued related legal opinions and engaged in related investigations and litigation. In addition, we could corporate diversity, equity and inclusion ("DEI") practices have recently come under increasing scrutiny. For example, some advocacy groups and federal and state officials have asserted that the U. S. Supreme Court's decision striking down race-based affirmative action in higher education in June 2023 should be criticized by ESG detractors for analogized to private employment matters and private contract matters and several media campaigns and cases alleging discrimination based on such arguments have been initiated since the scope or nature decision. Additionally, in January 2025, President Trump signed a number of our ESG-Executive Orders focused on DEI, which indicate continued scrutiny of DEI initiatives and potential related activities investigations of certain private entities with respect to DEI initiatives, including publicly traded companies.**

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 or government action and societal responses to climate change 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 longer-term shifts in climate patterns such as extreme heat, sea level rise and 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 our delinquency rates and average credit loss. 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 factors which are beyond our control, including economic conditions and policies of governmental agencies, particularly the Federal Reserve. Changes in monetary policy, including changes in interest rates, will influence the interest we receive on our loans and securities and pay on deposits, and loan and deposit growth. If deposit rates increase more than rates on loans and securities, our net interest income 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 more than deposit rates. 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 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, while the 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 Federal Reserve federal funds rate increases in 2022 and 2023, net interest income increased significantly as a result of the Bank's asset sensitivity. While we may pursue strategies to increase fixed rate securities purchases to decrease asset sensitivity, and lower the decrease in net interest income resulting from Federal Reserve 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 be decreased, at least in the short-term, prior to Federal Reserve rate reductions. 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 economic conditions nationwide or in the localities in which our borrowers operate. 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's partial guaranty on SBA loans is withdrawn due to noncompliance with regulations. Our SBA lending program is dependent upon the 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 not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other 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 the lender's Preferred Lender status. If we lose our status as an SBA Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders, which could 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 or 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, 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. 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 to provide for current and future expected losses inherent in its loan portfolio. At December 31, ~~2023~~ **2024**, the ratios of the ACL to total loans and to non-performing loans were, respectively, ~~0.51~~ **0.52** % and ~~206.94~~ **33.61** %. 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. 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 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 result in 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, ~~2023~~ **2024**, to any one customer or related group of customers was \$ ~~141.138~~ **23** million, computed on the basis of 15 % of capital as defined by our regulators. 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 our four specialty lending operations, 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 FASB, issued an update to ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which we adopted in 2020. The update changes the accounting for credit losses on loans and debt securities. For loans and held-to-maturity debt securities, the 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 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 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. 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. 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 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 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 other non-performing assets 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. 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. A prolonged U. S. government shutdown or default by the United States 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 could in turn adversely impact our results of operations.

**Agreements between the Bank and third parties to market and service Bank-originated consumer loans may subject the Bank to credit, fraud and other risks, as well as claims from regulatory agencies and third parties that, if successful, could negatively impact the Bank's current and future business. The Bank has entered into various agreements with unaffiliated third parties ("Marketers"), whereby the Marketers will market and service consumer loans underwritten and originated by the Bank. These agreements present potential increased credit, operational, and reputational risks. Because the loans originated under such programs are unsecured, in the event a borrower does not repay the loan in accordance with its terms or otherwise defaults on the loan, the Bank may not be able to recover from the borrower an amount sufficient to pay any remaining balance on the loan. We may also become subject to claims by regulatory agencies, customers, or other third parties due to the conduct of the third parties with which the Bank operates such lending programs if such conduct is deemed to not comply with applicable laws in connection with the marketing and servicing of loans originated pursuant to these programs. Certain types of these arrangements have been challenged both in the courts and in regulatory actions. In these actions, plaintiffs have generally argued that the "true lender" is the marketer and that the intent of such lending program is to evade state usury and loan licensing laws. Other cases have also included other claims, including racketeering and other state law claims, in their challenge of such programs. In 2020, the OCC issued final rules designed to clarify when a national bank such as the Bank will be considered the "true lender" in such relationships (the "True Lender Rule"). In June 2021, the True Lender Rule was repealed and the OCC was prohibited from issuing any replacement of the True Lender Rule absent Congressional authorization. In the wake of the repeal of the True Lender Rule, several states have announced their intention to broaden oversight of non-bank fintech lenders, while certain parties have initiated litigation in order to obtain court guidance on how particular jurisdictions may weigh loan program facts and rule on "true lender" challenges. In addition, the Consumer Financial Protection Bureau and the Federal Trade Commission have each announced their intention to explore their authority to supervise nonbank lending partnerships in markets for consumer financial products and services. Consequently, state and federal regulatory authorities may proceed on different paths to promulgate "true lender" restrictions, and, absent binding court rulings or direct legislative action, impacted parties may have little to no advance notice of new restrictions and compliance obligations. In the absence of applicable laws or regulations addressing these matters, true lender disputes will be determined on a case-by-case basis, informed by differing state laws and the facts in each instance. There can be no assurance that lawsuits or regulatory actions in connection with any such lending programs the Bank has entered, or will enter, into will not be brought in the future. If a regulatory agency, consumer advocate group, or other third party were to bring successful action against the Bank or any of the third parties with which the Bank operates such lending programs, there could be a material adverse effect on our financial condition and results of operations. We have entered into agreements with third party marketers and servicers for consumer fintech loans which we have begun originating, and which present credit and other risks. Consumer fintech loans present increased credit, fraud, operational and reputation risks. Unsecured loans which are not repaid, or mitigated by sale or other mitigations, will result in losses and**

**reductions in income. See Item 1A, “ Risk Factors — The Bank’s allowance for credit losses may not be adequate to cover actual losses.” The Bank is also subject to UDAAP and True Lender claims either through legislators or litigation. UDAAP claims may arise if aspects of the product are determined to be false or deceptive, while True Lender claims assert that the marketers are the “ lender ”.**

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, 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 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 ~~2023~~ **2024**, the top five largest contributors to prepaid, debit card and related fees, comprised approximately ~~54~~ **52** % of ~~such income~~ **prepaid, debit card, ACH, and other payment fees**. 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. 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 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. However, in December 2020, the FDIC adopted a regulation which resulted in the reclassification of the majority of the Bank’s deposits 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, including recertification requirements for certain accounts. Should the Bank's capital ratios fall below well-capitalized levels, it would be prohibited from accepting, renewing or rolling over brokered deposits without the 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. 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 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 2024, the top three affinity groups accounted for approximately \$ 3.79 billion, the next three largest accounted for \$ 1.64 billion, and the four subsequent largest accounted for \$ 756.9 million. 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 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 **generally identical in at both years-dates**. 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 2024 totaled \$ 3.81 billion while balances related to consumer and business payment companies, including companies sponsoring incentive and gift card payments, amounted to \$ 2.38 billion.** Such balances in the top ten relationships at year-end 2023 totaled \$ 2.91 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 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 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 is further managed through multi-year contracts. We may exit relationships where 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, for instance, two of our affinity group clients transferred their operations to their newly chartered banks. **Additionally, certain of our clients have been, and in the future may be, acquired by other entities, which may result in the transfer of their business to the acquirer or other institutions.** **In 2023-2024, the top five-two largest contributors to prepaid, debit card and related fees comprised approximately 54.41 % of prepaid, debit card, ACH, and other payment fees, while the three subsequent largest comprised 11 % 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 relationships. If we cannot replace such relationships, we may be required to seek higher rate funding sources as compared to 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 risks. As a financial institution, we 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. 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 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 escheatment audits. Income tax and 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 our common stock may decline or otherwise become volatile. Although our common stock is traded on the Nasdaq Global Select Market, 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 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. Additionally, 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 price 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. 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 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. 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 provisions limit the amount of dividends that subsidiary banks can pay to their holding companies without regulatory approval. Without the prior approval of the OCC, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year’ s net 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 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, and its Board of Directors may determine, as it 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 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 the State of Delaware or the federal district courts of the United States will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees. Our Amended and Restated Bylaws provide that, unless we consent in writing to the selection of 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 proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other 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 either may be amended or restated) or as to which the General Corporation Law of the State of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware, or any action asserting a claim governed by the internal affairs doctrine of the law of the State of Delaware. 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 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 cause of action arising under the Securities Act of 1933, as amended (the " Securities Act "). The exclusive forum provisions will be ~~37~~**39**