Risk Factors Comparison 2024-03-07 to 2023-03-10 Form: 10-K

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

The Company' s business, financial condition, results of operations and the trading price of its securities can be materially and adversely affected by many events and conditions including the following: Pandemic **or other health related** events may have a material adverse effect on operations and financial condition. The outbreak of disease **or other health related events** on a regional, national or global level, such as the spread of the COVID- 19 coronavirus, ~~has~~ **may have** a material adverse effect on commerce, which may, in turn impact the Company' s lines of business. The Company' s operations are significantly affected by the general economic conditions of New Jersey, Eastern Pennsylvania and the specific local markets in which ~~it~~ **the Company** operates. **To the extent these** ~~The New Jersey and Eastern Pennsylvania~~ markets **are negatively** ~~served by the Registrant have been significantly~~ impacted by **health related matters** ~~the Coronavirus pandemic and governmental actions to mitigate the pandemic~~, such as **pandemics like** ~~stay at home orders and business shutdowns. The Company' s real estate portfolio consists primarily of loans secured by properties located in New Jersey and Northampton County in Pennsylvania. A decline in the economies of these counties, which are considered to be the Company' s primary market area, could have a material adverse effect on its business, financial condition, results of operations and prospects. The coronavirus outbreak may also have an adverse effect on the Company' s customers directly or indirectly. These effects could include disruptions or restrictions in customers' supply chains or employee productivity, closures of customers' facilities, decreases in demand for customers' products and services or in other economic activities. If the Company' s customers are adversely affected, its condition and results of operations could be adversely affected. The~~ COVID- 19 ~~pandemic may also affect the stability of the Company' s deposit base~~, ~~impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans and / or~~ **our** ~~result~~ **results** ~~in loss~~ of **operations** ~~revenue. A decline in local economic conditions~~ may **be materially** ~~have a greater effect on the Company' s earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are geographically diverse. Many of the loans in the Company' s portfolio are secured by real estate. Deterioration in the real estate markets where collateral for a mortgage loan is located could negatively affect the borrower' s ability to repay the loan and the value of the collateral securing the loan. Real estate values are~~ affected ~~by various other factors, including changes in general or regional economic conditions and governmental rules or policies. If the Company is required to liquidate a significant amount of collateral during a period of reduced real estate values, its financial condition and profitability could be adversely affected. Adverse changes in the regional and general economy could reduce the Company' s growth rate, impair the ability to collect loans and generally have a negative effect on financial condition and results of operations. Including the potential effects of the COVID- 19 outbreak on the Company' s loan portfolios, the ongoing and dynamic nature of the pandemic and the resultant, potentially severe and long- lasting, economic dislocations, it is difficult to predict the full impact of the COVID- 19 outbreak on the Company' s business. The extent of such impact will depend on future developments, which are highly uncertain, including the development of new variants of the virus, when the coronavirus can be controlled and abated and when and how the economy may return to pre- pandemic levels of activity. As the result of the COVID- 19 pandemic and the related adverse local and national economic consequences, the Company could be subject to any of the following risks, any of which could have a material, adverse effect on its business, financial condition, liquidity and results of operations: ● demand for the Company' s products and services may decline, making it difficult to grow assets and income; ● if the economy is unable to return to pre- pandemic levels of activity, loan delinquencies, problem assets and foreclosures may increase, resulting in increased charges and reduced income; ● collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase; ● the Company' s allowance for loan losses may have to be increased if borrowers experience financial difficulties which will adversely affect its net income; ● the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to the Company; ● Federal Deposit Insurance Corporation premiums may increase if the agency experiences additional resolution costs. Moreover, the Company' s future success and profitability substantially depends on the management skills of its executive officers and directors, many of whom have held officer and director positions with the Company for many years. The unanticipated loss or unavailability of key employees due to the outbreak could harm the Company' s ability to operate its business or execute its business strategy. The Company may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability. Any one or a combination of the factors identified above could negatively impact the Company' s business, financial condition and results of operations and prospects~~. The Company has been and may continue to be adversely affected by national financial markets and economic conditions, as well as local conditions. The Company' s business and results of operations are affected by the financial markets and general economic conditions in the United States, including factors such as the level and volatility of interest rates, inflation, home prices, unemployment and under- employment levels, bankruptcies, household income, consumer spending, investor confidence and the strength of the U. S. economy. The deterioration of any of these conditions can adversely affect the Company' s securities and loan portfolios, level of charge- offs and provision for credit losses, capital levels, liquidity and results of operations. In addition, the Company is affected by the economic conditions within its New Jersey and Pennsylvania **primary** trade areas. Unlike larger banks that are more geographically diversified, the Company provides banking and financial services primarily to customers in the New Jersey market and one county in Pennsylvania in which it has branches, so any decline in the economy of New Jersey or eastern Pennsylvania could have an adverse impact **. Additionally, certain aspects of these primary trade areas may be adversely impacted by the economic wellbeing of the New York City metro region**. The Company' s loans, the ability of borrowers to repay these loans and the value of collateral securing these loans are impacted by economic conditions. The Company' s financial results, the credit quality of its existing loan portfolio and the ability to generate new loans with acceptable yield and credit characteristics may be adversely affected by changes in prevailing economic conditions, including declines in real estate values, changes in interest rates, adverse employment conditions and the monetary and fiscal policies of the federal government. The Company cannot assure that positive trends or developments discussed in this annual report will continue or that negative trends or developments will not have a significant adverse effect on itself. A significant portion of the Company' s loan portfolio is secured by real estate ~~,~~ and events that negatively impact the real estate market could hurt its business. A significant portion of the Company' s loan portfolio is secured by real estate. As of December 31, ~~2022~~ **2023** , approximately 96 percent of its loans had real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. Weakness in the real estate market in the Company' s primary market areas could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on the Company' s profitability and asset quality. Any future declines in home prices in the New Jersey **, New York** and Pennsylvania markets the Company serves also may result in increases in delinquencies and losses in its loan portfolios. Stress in the real estate market, combined with any weakness in economic conditions could drive losses beyond that which is provided for in the Company' s allowance for ~~loan~~ **credit** losses. In that event, the Company' s earnings could be adversely affected. There is a risk that the SBA will not honor their guarantee. The Company has historically been a participant in various SBA lending programs which guarantee up to 90 % of the principal on the underlying loan. There is a risk that the SBA will not honor its guarantee if a loan is not underwritten and administered to SBA guidelines. The Company follows the underwriting guidelines of the SBA; however **,** its ability to manage this will depend on the **Company' s** ability to continue to attract, hire and retain skilled employees who have knowledge of the SBA program. **If the SBA program does not honor the guarantee, this could adversely impact the Company' s financial performance.** ~~11There~~ **13There** is a risk that the Company may not be repaid in a timely manner, or at all, for loans it makes **or securities it purchases** . The risk of nonpayment (or deferred or delayed payment) of loans is inherent in banking. Such nonpayment, or delayed or deferred payment **,** of loans to the Company ~~, if they occur,~~ may have a material adverse effect on its earnings and overall financial condition. Additionally, in compliance with applicable banking laws and regulations **and U. S. Generally Accepted Accounting Principles (" U. S. GAAP ")** , the Company maintains an allowance for ~~loan~~ **credit** losses created through charges against earnings. As of December 31, ~~2022~~ **2023** , the Company' s allowance for ~~loan~~ **credit** losses was $ 25. ~~2~~ **9** million, or 1. ~~20~~ **19** percent of its total loan portfolio and ~~277~~ **134** . ~~95~~ **75** percent of its nonperforming ~~loans~~ **assets** . The Company' s marketing focus on small to medium size businesses may result in the assumption by the Company of certain lending risks that are different from or greater than those which would apply to loans made to larger companies. The Company seeks to minimize its credit risk exposure through credit controls, which include evaluation of potential borrowers' available collateral, liquidity and cash flow. However, there can be no assurance that such procedures will actually reduce ~~loan~~ **credit losses. The risk of nonpayment (or deferred or delayed payment) on securities is also inherent in banking. Such nonpayment, or delayed or deferred payment on securities held by the Company, if they occur may have a material adverse effect on the Company' s earnings and overall financial condition. As of December 31, 2023, the Company maintained a valuation reserve on a single available for sale security for $ 1. 3 million. The Company seeks to minimize its credit risk exposure on securities through ongoing monitoring and credit controls, which evaluate the financial condition of the issuer of the securities. However, there can be no assurance that such procedures will actually reduce credit** losses. The Company' s allowance for ~~loan~~ **credit** losses may not be adequate to cover actual losses. Like all financial institutions, the Company maintains an allowance for ~~loan~~ **credit** losses to provide for loan defaults and nonperformance. Its allowance for ~~loan~~ **credit** losses may not be adequate to cover actual losses and future provisions for ~~loan~~ **credit** losses could materially and adversely affect the results of operations. Risks within the loan portfolio are analyzed on a continuous basis by management and, periodically, by an independent loan review function and by the Audit Committee. A risk system, consisting of multiple- grading categories, is utilized as an analytical tool to assess risk and the appropriate level of loss reserves. Along with the risk system, management further evaluates risk characteristics of the loan portfolio under current economic conditions and considers such factors as the financial condition of the borrowers, past and expected ~~loan~~ **credit** loss experience **, historical trends** and other factors management feels deserve recognition in establishing an adequate reserve. This risk assessment process is performed at least quarterly and, as adjustments become necessary, they are realized in the periods in which they become known. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the Company' s control, and these losses may exceed current estimates. State and federal regulatory agencies, as an integral part of their examination process, review the Company' s loans and allowance for ~~loan~~ **credit** losses and may require an increase in its allowance for ~~loan~~ **credit** losses. Although the Company believes that its allowance for ~~loan~~ **credit** losses is adequate to cover probable and reasonably estimated losses, ~~it cannot~~ **there can** be **no** ~~assured~~ - **assurance** that the Company will not further increase the allowance for ~~loan~~ **credit** losses or that its regulators will not require an increase to this allowance. Either of these occurrences could adversely affect the Company' s earnings. ~~In June 2016, the Financial Accounting Standards Board issued ASU 2016- 13. ASU 2016- 13 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016- 13 will replace the incurred loss model under existing guidance with a current expected credit loss (" CECL ") model for instruments measured at amortized cost, and require entities to record allowances for available for sale debt securities rather than reduce the carrying amount, as they do today under the other- than- temporary impairment model. ASU 2016- 13 also simplifies the accounting model for purchased credit- impaired debt securities and loans. While ASU 2016- 13 does not require any particular method for determining the CECL allowance, it does specify the allowance should be based on relevant information about past events, including historical loss experience, current portfolio and market conditions and reasonable and~~

~~supportable forecasts for the duration of each respective loan. Because the Company' s methodology for determining CECL allowances may differ from the methodologies employed by other companies, its CECL allowances may not be comparable with the CECL allowances reported by other companies. In addition, other than a few narrow exceptions, ASU 2016- 13 requires that all financial instruments subject to the CECL model have some amount of reserve to reflect the GAAP principal underlying the CECL model that all loans, debt securities and similar assets have some inherent risk of loss, regardless of credit quality, subordinate capital or other mitigating factors. Accordingly, the Company expects that the adoption of the CECL model will materially affect how it determines the allowance for loan losses and could require the Company to increase its allowance and recognize provisions for loan losses earlier in the lending cycle. Moreover, the CECL model may create more volatility in the level of the Company' s allowance for loan losses. If the Company is required to materially increase its level of allowance for loan losses for any reason, such increase could adversely affect the Company' s business, financial condition and results of operations. ASU 2016- 13 is effective for the Company for fiscal years beginning after December 15, 2022. 12The~~ **14The** Company is subject to interest rate risk and variations in interest rates may negatively affect its financial performance. Net interest income, the difference between interest earned on interest- earning assets and interest paid on interest- bearing liabilities, represents a significant portion of the Company' s earnings. Both increases and decreases in the interest rate environment may reduce the Company' s profits. Interest rates are subject to factors which are beyond the Company' s control, including general economic conditions, competition and policies of various governmental and regulatory agencies, such as the FRB. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and investment securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) the ability to originate loans and obtain deposits, (ii) the fair value of financial assets and liabilities, including the held to maturity and available for sale securities portfolios and (iii) the average duration of interest- earning assets. This also includes the risk that interest- earning assets may be more responsive to changes in interest rates than interest- bearing liabilities, or vice versa (repricing risk), the risk that the individual interest rates or rate indexes underlying various interest- earning assets and interest- bearing liabilities may not change in the same degree over a given time period (basis risk) and the risk of changing interest rate relationships across the spectrum of interest- earning asset and interest- bearing liability maturities (yield curve risk) **. The Company monitors interest rate risk through its asset liability management process; however, there are no assurances that this process will reduce interest rate risk exposures** . The banking business is subject to significant government regulations. The Company is subject to extensive governmental supervision, regulation and control. These laws and regulations are subject to change and may require substantial modifications to the Company' s operations or may cause it to incur substantial additional compliance costs. These laws and regulations are designed to protect depositors and the public, but not the Company' s shareholders. In addition, future legislation and government policy could adversely affect the commercial banking industry and the Company' s operations. Such governing laws can be anticipated to continue to be the subject of future modification. The Company' s management cannot predict what effect any such future modifications will have on the Company' s operations. In addition, the primary focus of federal and state banking regulation is the protection of depositors and not the shareholders of the regulated institutions. For example, the Dodd- Frank Act has resulted in substantial ~~new~~ compliance costs and may restrict certain sources of revenue. The Dodd- Frank Act was signed into law on July 21, 2011. Generally, ~~an~~ **the** Act is effective the day after it is signed into law, but different effective dates apply to specific sections of this law, many of which will not become effective until various Federal regulatory agencies have promulgated rules implementing the statutory provisions. Uncertainty remains as to the ultimate impact of the Dodd- Frank Act **and the implementing regulations thereunder** , which could have a material adverse impact either on the financial services industry as a whole, or on the Company' s business, results of operations and financial condition. For a more detailed discussion of the Dodd- Frank Act, see " Item 1- Business – Supervision and Regulation. " The provisions of the Dodd- Frank Act, as well as any other aspects of current or proposed regulatory or legislative changes to laws **or regulations** applicable to the financial industry, may impact the profitability of business activities and may change certain business practices, including the ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads, and could expose the Company to additional costs, including increased compliance costs. These changes also may require the Company to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect business, financial condition and results of operations. **As the Company continues to grow its total assets, the Company will be subject to heighted regulatory and reporting requirements.** The **Company faces the risk of failing to meet these requirements, which may negatively impact the results of operations and financial conduction. 15The** Company is subject to changes in accounting policies or accounting standards. Understanding the Company' s accounting policies is fundamental to understanding its financial results. Some of these policies require the use of estimates and assumptions that may affect the value of assets or liabilities and financial results. The Company has identified its accounting policies regarding the allowance for ~~loan~~ **credit** losses ~~,~~ **and** security valuations and **security credit events** ~~other- than- temporary- impairments, goodwill and income taxes~~ to be critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. Under ~~each of~~ these policies, it is possible that materially different amounts would be reported under different conditions, using different assumptions, or as new information becomes available. ~~13From~~ -- **From** time to time, the **Financial Accounting Standards Board ("** FASB **")** and the SEC change their guidance governing the form and content of the Company' s external financial statements. In addition, accounting standard setters and those who interpret U. S. ~~generally accepted accounting principles (" U. S.~~ GAAP ~~")~~ , such as the FASB, SEC, banking regulators and the Company' s outside auditors, may change or even reverse their previous interpretations or positions on how these standards should be applied. Such changes are expected to continue. Changes in U. S. GAAP and changes in current interpretations are beyond the Company' s control, can be hard to predict and could materially impact how it reports financial results and condition. In certain cases, the Company could be required to apply a new or revised guidance retroactively or apply existing guidance differently, which may result in restating prior period financial statements for material amounts. Additionally, significant changes to U. S. GAAP may require costly technology changes, additional training and personnel and other expenses that would negatively impact results of operations. Declines in value may adversely impact the investment portfolio. As of December 31, ~~2022~~ **2023** , the Company had approximately $ **91** ~~95. 4 million, $ 35~~ . 8 million, ~~and~~ $ ~~9~~ **36. 1 million and $ 7** . 8 million in debt securities available for sale, debt securities held to maturity and equity investment securities, respectively. The Company may be required to record ~~impairment~~ **credit** charges in earnings related to credit losses on its investment securities if they suffer a decline in value **related to credit** ~~that is considered other- than- temporary~~ . Additionally, (i) if the Company intends to sell a security or (ii) it is more likely than not that it will be required to sell the security prior to recovery of its amortized cost basis, the Company will be required to recognize **a** ~~an other- than- temporary impairment~~ charge in the statement of income equal to the full amount of the decline in fair value below amortized cost. Factors, including lack of liquidity, absence of reliable pricing information, adverse actions by regulators or unanticipated changes in the competitive environment **,** could have a negative effect on the investment portfolio and may result in ~~other- than- temporary~~ impairment on investment securities in future periods. Liquidity risk. Liquidity risk is the potential that the Company will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances. Liquidity is required to fund various obligations, including credit commitments to borrowers, mortgage and other loan originations, withdrawals by depositors, repayment of borrowings, dividends to shareholders, operating expenses and capital expenditures. Liquidity is derived primarily from deposit growth and retention; principal and interest payments on loans; principal and interest payments on investment securities; sale, maturity and prepayment of investment securities; net cash provided from operations and access to other funding sources. Customer account balances can decrease when customers perceive alternative investments, such as fixed income securities or money market funds, as providing a better risk / return trade off **or if customers are concerned about the safety of their deposits, as happened in the first quarter of 2023** . If customers move money out of bank deposits and into other investments, **or if customers perceive a risk in leaving their deposits with the Bank and transfer the deposits to larger institutions seen as less risky,** the Company could lose a low- cost source of funds, increasing its funding costs and reducing the Company' s net interest income and net income **. 16The Company maintains elevated wholesale funding balances, including brokered CDs, brokered money market accounts, FHLB advances and other borrowing and deposit sources. These wholesale funding balances typically result in higher funding costs compared to other sources and reduce the Company' s net interest income and net income. Additionally, these sources typically are only available to the Company if the Bank maintains certain capital levels. The Company' s management team monitors wholesale funding as a composition of its balance sheet via the risk management process; however, wholesale deposits may be more prone to liquidity risk** . The Company' s access to funding sources in amounts adequate to finance its activities could be impaired by factors that affect the Company specifically or the financial services industry in general. Factors that could detrimentally impact access to liquidity sources include a decrease in the level of business activity due to persistent weakness, or downturn, in the economy or adverse regulatory action against the Company. The Company' s ability to borrow could also be impaired by factors that are not necessarily specific to it, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. **There are current proposals from the Federal Housing Finance Agency (" FHFA "), the regulatory of the Federal Home Loan Bank (" FHLB ") system, to refocus on the FHLB' s housing mission. This proposal would require many banks to hold at least 10 % of their assets in residential mortgages in order to maintain access to FHLB funding. If these proposals change or progress, this could impact the Company' s ability to borrow from the FHLB and require it to find other sources of credit, including borrowing directly from the FRB.** The Company is in competition with many other banks, including larger commercial banks which have greater resources, as well as " fintech " companies for loan and deposit customers. The banking industry within the State of New Jersey is highly competitive. The Company' s principal market area is also served by branch offices of large commercial banks and thrift institutions. In addition, the ~~Gramm- Leach- Bliley Financial~~ Modernization Act permits other financial entities, such as insurance companies and securities firms, to ~~14acquire~~ -- **acquire** or form financial institutions, thereby further increasing competition. In addition, financial technology companies, either directly or in partnership with other insured depository institutions, compete for loan and deposit customers. Similarly, larger legacy non- financial companies, such as Apple, Alphabet and Amazon, are further increasing competition to compete for loans, deposits and payments. A number of the Company' s competitors have substantially greater resources than it does to expend upon advertising and marketing, and their substantially greater capitalization enables them to make much larger loans. The Company' s success depends a great deal upon its judgment that large and mid- size financial institutions do not adequately serve small businesses in its principal market area and upon the Company' s ability to compete favorably for such customers. In addition to competition from larger institutions, the Company also faces competition for individuals and small businesses from small community banks seeking to compete as " hometown " institutions. Most of these smaller institutions have focused their marketing efforts on the smaller end of the small business market the Company serves. **In January 2022, the Federal Reserve issued " Money Payments: The U. S. Dollar in the Age of Digital Transformation " which discusses a U. S. central bank digital currency (" CBDC "). While this is in the earliest of stages, if this CBDC is implemented by the Federal Reserve, it could change banking on a larger scale as Americans would be able to transact directly with the Federal Reserve.** The Company has also been active in competing for New Jersey governmental and municipal deposits. At December 31, ~~2022~~ **2023** , the Company held approximately $ ~~296~~ **346** . ~~5~~ **3** million in governmental and municipal deposits. The governor of New Jersey has proposed that the state form and own a bank in which governmental and municipal entities would deposit their excess funds, with the state owned bank then financing small businesses and municipal projects in New Jersey. **While** ~~Although this proposal is in the very early stages and no~~ legislation has been introduced in the state legislature **, the New Jersey Public Bank Implementation Board has provided its final recommendations to the governor, including**

that the public bank entity should not be a depository institution but should seek funding from a diverse range of investors and non- depository investment vehicles. However , should this proposal be adopted and a state owned bank formed, it could impede the Company' s ability to attract and retain governmental and municipal deposits, thereby impairing the Company' s liquidity **. 17The nature and growth rate of our loan portfolio may expose us to increased lending risks. Given the significant growth in our loan portfolio, many of our loans are unseasoned, meaning that they were originated relatively recently. Approximately 58. 7 % of our loan portfolio has been originated in the past three years. As a result, it may be difficult to predict the future performance of our loan portfolio. These loans may have delinquency or charge-off levels above our expectations, which could negatively affect our performance** . Future offerings of common stock may adversely affect the market price of the Company' s stock. In the future, if the Company' s or the Bank' s capital ratios fall below the prevailing regulatory required minimums, the Company or the Bank could be forced to raise additional capital by making additional offerings of common stock or preferred stock. Additional equity offerings may dilute the holdings of existing shareholders or reduce the market price of common stock, or both. The Company cannot predict how changes in technology will impact its business. The financial services market, including banking services, is increasingly affected by advances in technology, including developments in: ● telecommunications; ● data processing; ● artificial intelligence **, (" AI ")** ; ● automation; ● Internet- based banking; ● Tele- banking; ● debit cards / smart cardsThe Company' s ability to compete successfully in the future will depend on whether it can anticipate and respond to technological changes. **Due to the rise of AI, technological advances are occurring in the industry at an unprecedented pace.** To develop these and other new technologies **and protect against cyber security threats** , the Company will likely have to make additional capital investments. Although the Company continually invests in new technology, it cannot assure that it will have sufficient resources or access to the necessary proprietary technology to remain competitive in the future. The Company' s information systems may experience an interruption or breach in security. The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company' s customer- relationship management, general ledger, deposit, loan and other systems. The Company is further exposed to the risk that its external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees) and to the risk that the ~~15Company~~ -- **Company** ' s (or its vendors') business continuity and data security systems prove to be inadequate. The Company maintains a system of comprehensive policies and a control framework designed to monitor vendor risks including, among other things, (i) changes in the vendor' s organizational structure or internal controls, (ii) changes in the vendor' s financial condition, (iii) changes in the vendor' s support for existing products and services and (iv) changes in the vendor' s strategic focus. In addition, the Company maintains cyber liability insurance to mitigate against certain losses it may incur. ~~While~~ **18While** the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur; or, if they do occur, that they will be adequately addressed. Further cyber risk exposure will likely remain elevated in the future as a result of the Company' s expansion of internet and mobile banking tools and new product roll out. The occurrence of any failures, interruptions or security breaches of the Company' s information systems could damage the Company' s reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny or expose the Company to civil litigation and possible financial liability; any of which could have a material adverse effect on the Company' s financial condition and results of operations **. For further information, please refer to Item 1C in this document** . The Company' s business strategy could be adversely affected if it is not able to attract and retain skilled employees and manage expenses. The Company expects to continue to experience growth in the scope of its operations and, correspondingly, in the number of its employees and customers. The Company may not be able to successfully manage its business as a result of the strain on management and operations that may result from this growth. The Company' s ability to manage this growth will depend upon its ability to continue to attract, hire and retain skilled employees. The Company' s success will also depend on the ability of its officers and key employees to continue to implement and improve operational and other systems, to manage multiple, concurrent customer relationships and to hire, train and manage employees. Further, given the rise of " remote " and " hybrid " working models, the Company is in competition with more companies and industries for employee retention. The Company' s **potential** inability to retain key employees could have a material adverse effect on its financial condition and results of operations **. As a community banking organization, the Company is highly reliant on key employees, including its Chief Executive Officer, Chief Financial Officer, heads of key operational areas, area managers, business development officers and loan officers. The loss of these employees could have an adverse impact on the Company' s operating capacities and the ability to implement growth strategies and adversely impact the financial performance** . Hurricanes, flooding or other adverse weather events could negatively affect local economies or disrupt operations, which would have an adverse effect on the Company' s business or results of operations. Hurricanes, flooding and other weather events can disrupt the Company' s operations, result in damage to its properties and negatively affect the local economies in which it operates. In addition, these weather events may result in a decline in value or destruction of properties securing loans and an increase in delinquencies, foreclosures and loan losses. The Company **does maintain property insurance policies to cover certain costs associated with these events; however, it is possible that the expenses may exceed coverage, may not be covered at all or may ultimately increase costs associated with future insurance premiums. The Company** may be adversely affected by changes in U. S. federal tax laws and state and local tax laws. The Company' s business may be adversely affected by changes in tax laws if there are any increases in its federal income tax rates. Further, the Company' s business may be adversely affected by changes in tax laws if there are any increases in its state and local tax rates ~~, specifically~~ in **markets where it has locations** ~~the jurisdictions of New Jersey, New York, New York City, Pennsylvania and Delaware~~ . Claims and litigation could result in significant expenses, losses and damage to the Company' s ~~reputationFrom~~ ---- **reputation. From** time to time, as a part of the Company' s normal course of business, customers, bankruptcy trustees, former customers, contractual counterparties, third parties and current and former employees may make claims and take legal action against the Company based on the actions or inactions of the Company. If such claims and legal actions are undertaken and are not resolved in a manner favorable to the Company, they may result in financial liability and / or adversely affect the market perception of the Company. Any financial liability could have a material impact on the Company' s financial condition and results of operations. Any reputational damages could have a material adverse effect on the Company' s business. ~~16Failure~~ **19Failure** to successfully implement the Company' s growth strategies could cause it to incur substantial costs, which may not be recouped and adversely affect its future profitability. From time to time, the Company may implement new lines of business, open new branches or offer new products and services. There are substantial risks and uncertainties associated with these efforts. The Company may invest significant time and resources, which may not be fully recouped if profitability targets are not proven feasible. External factors such as compliance with regulations, competitive alternatives and shifting customer preferences may also impact successful implementation. Failure to successfully manage these risks may have a material adverse impact on the Company' s business, results of operations and financial condition. **Further, in order to continue growth, the Company may need to seek additional capital. The Company will be required to maintain its regulatory capital levels at levels higher than the minimum set by its regulators. If the Company were required to raise capital to implement growth strategies, the Company can offer no assurances that it will be able to raise capital in the future or that the terms of the capital will be beneficial to its existing shareholders. In the event that the Company is unable to raise capital in the future, the Company may not be able to continue its growth strategy. A component of the Company' s growth strategies may include merger & acquisition opportunities. Attractive merger and acquisition opportunities may not be available to the Company in the future as other banking and financial service companies, many of which have greater resources, will compete with the Company in acquiring potential target companies. This competition could increase prices of potential acquisitions that may be attractive. Additionally mergers and acquisitions are subject to various regulatory approvals. If regulatory approvals are not obtained, the Company would not be able to consummate a merger or acquisition that may be in the Company' s best interests. Lastly, the Company has limited merger and acquisition experience, which may minimize the deals available or the ability to appropriately analyze and operationally execute a merger or acquisition. This may adversely impact the operating results.** Net gains on sales of mortgage and / or SBA loans are a significant component of the Company' s ~~non- interest~~ **noninterest** income and could fluctuate in future periods. Net gains on sales of mortgage and SBA loans represented a notable portion of the Company' s ~~non- interest~~ **noninterest** income for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. The Company' s ability to sell a portion of its mortgage or SBA loan ~~productions~~ **production** in the secondary market is dependent upon, amongst other factors, the levels of market interest rates, consumer demand for marketable loans, the Company' s sales and pricing strategies ~~,~~ and the economy. A change in one or more of these, or other factors **,** could significantly impact the Company' s ability to sell mortgage loans **and SBA loans** in the future and adversely impact the level of our ~~non- interest~~ **noninterest** income. The Company may not be able to detect money laundering and other illegal or improper activities fully, or on a timely basis, which could expose the company to additional liability and could have a material adverse effect. The Company is required to comply with anti- money laundering, anti- terrorism and other laws and regulations in the United States. These laws and regulations require the Company to adopt and enforce " know- your- customer " policies and procedures and to report suspicious and larger transactions to applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, require improved systems ~~and~~ **,** sophisticated monitoring and compliance personnel ~~,~~ and have become the subject of enhanced government supervision. Although the Company has policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and related activities, those policies and procedures may not eliminate instances in which the Company may be used by customers to engage in illegal or improper activities. To the extent that the Company fails to fully comply with the applicable laws and regulations, banking agencies may have the authority to impose fines ~~and~~ **,** other penalties and sanctions on the Company. **20** ~~The Company' s controls and procedures may fail or be circumvented, which may result in a material adverse effect on its business, results of operations and financial condition. The Company' s management periodically reviews and updates its internal control, policies, and procedures. Any system of controls is in part based on certain assumptions and can only provide reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company and its results of operations and financial condition. Reforms to and uncertainty regarding LIBOR may adversely affect the Company' s business. In 2017, a committee of private- market derivative participants and their regulators convened by the Federal Reserve, the Alternative Reference Rates Committee, or " ARRC ", was created to identify an alternative reference interest rate to replace LIBOR. The ARRC announced the Secured Overnight Financing Rate, or " SOFR ", a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, as its preferred alternative to LIBOR. The Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced its intention to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021, although certain LIBOR rates will continue to be published until 2023. Subsequently, the Federal Reserve Bank announced final plans for the production of SOFR, which resulted in the commencement of its published rates by the 17~~